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Financial Statements Compendium 1998-99

Part A



Saskatchewan

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GUIDE TO THE COMPENDIUM

This Compendium is comprised of the financial statements of various government boards, agencies, commissions, superannuation funds, special purpose funds and institutions as well as those Crown corporations which are accountable to the Treasury Board.

The financial statements are for fiscal periods ending within the Government's fiscal year April 1, 1998 to March 31, 1999.

While many of these entities are required to table their financial statements in the Legislative Assembly as separate reports, this Compendium serves to provide ease of public access to their financial statements.

Financial statements for Crown corporations that are accountable to the Crown Investments Corporation appear in a separate compendium of annual reports compiled by the Crown Investments Corporation.

The Compendium consists of two parts:

Part A - Educational Institutions
Pension Funds
Crown Corporations
Trust Funds

Part B - Other Entities
Health Care Institutions
Revolving Funds

Each Part includes a complete table of contents for the whole Compendium, as well as a complete alphabetical listing, with page number reference, in an index.

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Financial Statements not available at time of printing:

Agri-Food Equity Fund

Agri-Food Innovation Fund

AUDITORS' REPORT

To The Directors
Carlton Trail Regional College

We have audited the statement of financial position of Carlton Trail Regional College as at June 30, 1998 and the statements of operations, changes in fund balances and changes in financial position for the year then ended. The College is responsible for preparing these financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Wynyard, Saskatchewan
September 15, 1998

E. H. Dudley & Co.
Chartered Accountants

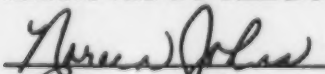
Statement 1

CARLTON TRAIL REGIONAL COLLEGE
Statement of Financial Position
as at June 30, 1998

	<u>1998</u>			
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>	<u>1997</u>
<u>ASSETS</u>				
Current Assets				
Cash and Temporary Investments	\$1,101,286	\$ -	\$1,101,286	\$195,147
Accounts Receivable (Note 3)	282,077	-	282,077	281,459
Inventories	7,509	-	7,509	4,558
Prepaid Expense	44,549	-	44,549	23,325
Due (to) from Interfund	(784,683)	784,683	-	-
	\$ 650,738	\$ 784,683	\$1,435,421	\$504,489
Capital Assets (Note 4)	-	243,831	243,831	230,735
	<u>\$ 650,738</u>	<u>\$1,028,514</u>	<u>\$1,679,252</u>	<u>\$735,224</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable (Note 6)	\$ 245,991	\$ -	\$ 245,991	\$143,310
Deferred Revenue (Note 7)	333,743	-	333,743	187,952
Current Portion of Long Term Debt (Note 8)	-	16,161	16,161	16,161
	\$ 579,734	\$ 16,161	\$ 595,895	\$347,423
Long-Term Debt (Note 8)	-	21,412	21,412	37,573
<u>FUND BALANCES</u>				
Invested in Capital Assets	-	206,258	206,258	177,001
Externally restricted (Note 4)	-	728,000	728,000	-
Internally restricted as reserves (Note 9)	35,955	56,683	92,638	92,638
Unrestricted	35,049	-	35,049	80,589
	<u>\$ 650,738</u>	<u>\$1,028,514</u>	<u>\$1,679,252</u>	<u>\$735,224</u>

See Accompanying Notes

APPROVED BY THE BOARD




Statement 2

CARLTON TRAIL REGIONAL COLLEGE
Statement of Operations
for the year ended June 30, 1998

	<u>Operating</u>		<u>Capital</u>		<u>Total</u>	
	<u>Budget</u>	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>	<u>1997</u>
	<u>(Note 10)</u>					
Revenues (Schedule 1)						
Saskatchewan Post-Secondary						
Education and Skills Training	\$2,546,254	\$2,238,059	\$1,687,213	\$750,444	\$ --	\$1,687,213
Federal Government	431,031	424,631	570,930	--	--	570,930
Other Revenue	958,845	996,477	838,590	--	--	838,590
Total Revenues	\$3,936,130	\$3,659,167	\$3,096,733	\$750,444	\$ --	\$3,096,733
Expenses (Schedule 2)						
Contractual and Professional						
Services	\$1,359,383	\$1,333,223	\$ 988,257	\$ --	\$ --	\$ 988,257
Rentals	319,046	306,698	237,322	--	--	237,322
Repairs and Maintenance	48,094	47,617	52,318	--	--	52,318
Amortization	--	--	--	82,015	86,043	86,043
Operating Expenses (Schedule 3)	471,154	514,319	489,165	1,839	3,869	493,034
Personal Services	1,707,374	1,412,183	1,219,376	--	--	1,219,376
Total Expenses	\$3,905,051	\$3,614,040	\$2,986,438	\$ 83,854	\$89,912	\$3,076,350
Excess (Deficiency) of						
Revenue Over Expenses	\$ 31,079	\$ 45,127	\$ 110,295	\$666,590	(\$89,912)	\$ 20,383

See Accompanying Notes

Statement 3

CARLTON TRAIL REGIONAL COLLEGE
Statement of Change in Fund Balances
for the year ended June 30, 1998

	Invested in Capital Assets	Externally Restricted Assets	Internally Restricted Assets	Unrestricted	1998	1997
Balance, beginning of the year	\$177,001	\$ --	\$92,638	\$80,589	\$ 350,228	\$329,845
Excess (Deficiency) of Revenue Over Expenses	(61,410)	728,000	--	45,127	711,717	20,383
Interfund Transfers	90,667	--	--	(90,667)	--	--
Appropriated to reserves	--	--	--	--	--	--
	<u>\$206,258</u>	<u>\$728,000</u>	<u>\$92,638</u>	<u>\$35,049</u>	<u>\$1,061,945</u>	<u>\$350,228</u>

See Accompanying Notes

Statement 4

CARLTON TRAIL REGIONAL COLLEGE
Statement of Changes in Financial Position
for the year ended June 30, 1998

	<u>1998</u>	<u>1997</u>
Cash from Operating Activities		
Excess (Deficiency) of revenue over expenses	\$ 711,718	\$ 20,383
Amortization of capital assets	82,015	86,043
Net change in non-cash working capital	<u>223,679</u>	<u>68,287</u>
	<u>\$1,017,412</u>	<u>\$174,713</u>
Investing Activities		
Purchase of capital assets	(\$ 95,112)	(\$133,597)
Proceeds from disposals of capital assets	<u>--</u>	<u>--</u>
	(\$ <u>95,112</u>)	(\$ <u>133,597</u>)
Financing Activities		
Repayment of long term debt	(\$ <u>16,161</u>)	(\$ <u>14,131</u>)
Increase (decrease) in cash during year	\$ 906,139	\$ 26,985
Cash Equivalents at the beginning of the year	<u>195,147</u>	<u>168,162</u>
Cash Equivalents at the end of the year	<u>\$1,101,286</u>	<u>\$195,147</u>

See Accompanying Notes

Schedule 1

CARLTON TRAIL REGIONAL COLLEGE
Schedule of Operating Fund Revenues by Function
for the year ended June 30, 1998

	PROGRAMMING				SUPPORT SERVICES			
	ADMIN.	Community & Individual Development	Adult Basic Education	Vocational Technical	University Credit	Career Services	Student Services	
	General Revenue							1997 Total
Post-Secondary Education and Skills Training								
Admin Recovery	\$ 53,988	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 53,988
Base Grant	709,100	--	--	--	--	--	--	709,100
Outreach Fund	30,075	--	79,000	73,385	67,617	--	--	250,077
Program Payments	--	7,004	220,416	899,208	--	66,981	--	1,193,609
Other	--	--	25,327	5,958	--	--	--	31,285
	<u>\$ 793,163</u>	<u>\$ 7,004</u>	<u>\$324,743</u>	<u>\$ 978,551</u>	<u>\$ 67,617</u>	<u>\$ 66,981</u>	<u>\$ --</u>	<u>\$2,238,052</u>
								<u>\$ 1,111,483</u>
								<u>\$ 629,100</u>
								<u>--</u>
								<u>722,298</u>
								<u>1,083,373</u>
								<u>\$2,546,254</u>
								<u>\$1,687,213</u>
Federal Government								
Admin Recovery	\$ 95,828	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 95,828
Seat Purchases	--	--	4,714	171,702	--	--	--	176,416
Projects	--	89,298	19,230	43,859	--	--	--	152,387
Other	--	--	--	--	--	--	--	--
	<u>\$ 95,828</u>	<u>\$ 89,298</u>	<u>\$ 23,944</u>	<u>\$ 215,561</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 424,631</u>
								<u>\$ 81,234</u>
								<u>349,797</u>
								<u>--</u>
								<u>--</u>
								<u>\$ 431,031</u>
								<u>\$ 570,930</u>
Other								
Admin Recovery	\$ 37,062	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 37,062
Contracts	3,042	46,308	--	117,375	99,321	64,107	--	330,153
Interest	21,480	--	--	--	--	--	--	21,480
Rents	127,688	5,070	--	3,004	--	--	--	135,762
Resale Items	--	27,731	1,001	53,134	816	28	--	82,710
Tuitions	--	142,036	1,500	228,573	5,451	--	--	377,560
Other	<u>5,991</u>	<u>--</u>	<u>200</u>	<u>--</u>	<u>4,689</u>	<u>870</u>	<u>--</u>	<u>11,750</u>
	<u>\$ 195,263</u>	<u>\$221,145</u>	<u>\$ 2,701</u>	<u>\$ 402,086</u>	<u>\$110,277</u>	<u>\$ 65,005</u>	<u>\$ --</u>	<u>\$ 996,477</u>
								<u>\$ 146,700</u>
								<u>357,483</u>
								<u>30,000</u>
								<u>3,000</u>
								<u>75,230</u>
								<u>346,432</u>
								<u>--</u>
								<u>\$ 958,845</u>
								<u>\$ 838,590</u>
Total Revenue	\$1,084,254	\$317,447	\$351,388	\$1,596,198	\$177,894	\$131,986	\$ --	\$3,659,167
Total Expense (Schedule 2)	<u>1,118,613</u>	<u>308,229</u>	<u>346,487</u>	<u>1,527,864</u>	<u>153,177</u>	<u>158,997</u>	<u>673</u>	<u>\$3,936,130</u>
								<u>3,905,051</u>
								<u>\$ 31,079</u>
								<u>\$ 110,295</u>
Excess (Deficiency) of Revenue Over Expenses	<u>(\$ 34,359)</u>	<u>\$ 9,218</u>	<u>\$ 4,901</u>	<u>\$ 68,334</u>	<u>\$ 24,717</u>	<u>(\$ 27,011)</u>	<u>(\$ 673)</u>	<u>\$ 45,127</u>
								<u>\$ 31,079</u>
								<u>\$ 110,295</u>

See Accompanying Notes

Schedule 2

CARLTON TRAIL REGIONAL COLLEGE
Schedule of Operating Fund Expenses by Function
for the year ended June 30, 1998

	GENERAL ADMINISTRATION				PROGRAMMING				SUPPORT SERVICES			
	Board	Admin	Organiz.	Comm. & Individual Develop.	Adult Basic Education	Vocational Technical	University Credit	Career Services	Student Services	1988 Total	Budget	1997 Total
Contractual and Professional Services	\$ 2,741	\$105,520	\$ 16,166	\$137,111	\$ 30,753	\$ 963,191	\$ 75,570	\$ 2,171	\$ --	\$1,333,223	\$1,359,383	\$ 988,257
Rentals	539	49,290	45,989	29,881	26,408	119,769	22,000	12,822	--	306,698	319,046	237,322
Repairs and Maintenance	--	5,832	5,695	14,974	4,349	14,259	1,679	829	--	47,617	48,094	52,318
Operating (Schedule 3)	38,224	87,994	79,669	84,754	29,359	152,465	16,120	25,061	673	514,319	471,154	489,165
Personal Services	30,376	203,610	446,968	41,509	255,618	278,180	37,808	118,114	--	1,412,183	1,707,374	1,219,376
	<u>\$71,880</u>	<u>\$452,246</u>	<u>\$594,487</u>	<u>\$308,229</u>	<u>\$346,487</u>	<u>\$1,527,864</u>	<u>\$153,177</u>	<u>\$158,997</u>	<u>\$673</u>	<u>\$3,614,040</u>	<u>\$3,905,051</u>	<u>\$2,986,438</u>

See Accompanying Notes

CARLTON TRAIL REGIONAL COLLEGE
Schedule of Operating Expenses
for the year ended June 30, 1998

	<u>1998</u>	<u>1997</u>
Operating Expenses		
Advertising	\$ 44,527	\$ 29,128
Association Fees and Dues	9,208	4,390
Bad Debts	-	-
Bank Charges and Interest	91	224
Computer Software	6,261	10,539
Conference and Training Fees	23,527	13,164
Insurance	8,901	10,109
Materials and Supplies	68,100	68,046
Postal, Freight and Courier	19,223	22,371
Printing and Duplicating	4,363	4,020
Resale Items	74,090	48,169
Subscriptions	1,193	1,119
Telephone and Fax	71,092	69,246
Travel	83,506	67,535
Utilities	21,900	25,683
Other	10,725	62,162
GST	42,768	42,445
Equipment under capitalization amount	<u>24,844</u>	<u>10,815</u>
Total	<u>\$514,319</u>	<u>\$489,165</u>

See accompanying notes.

CARLTON TRAIL REGIONAL COLLEGE
Schedule of Reserve Transactions
for the year ended June 30, 1998

	<u>Balance beginning of the year</u>	<u>Add: Appropriations from unrestricted net assets</u>	<u>(Add: Interest allocated from unrestricted net assets)</u>	<u>Less: Transfers to unrestricted net assets</u>	<u>Balance, end of the year</u>
Operating	\$35,955	\$ --	\$ --	\$ --	\$35,955
Capital--Future Expenditures	<u>56,683</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>56,683</u>
TOTAL	<u>\$92,638</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$92,638</u>

See Accompanying Notes

CARLTON TRAIL REGIONAL COLLEGE
Notes to the Financial Statements
for the year ended June 30, 1998

1. PURPOSE AND AUTHORITY

The Carlton Trail Regional College offers educational services and programs under the authority of Section 14 of The Regional Colleges Act.

The Board of the Carlton Trail Regional College is responsible for administering and managing the educational affairs of the College in accordance with the intent of The Regional Colleges Act and its regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant policies:

(a) Fund Accounting

The accounts of the College are maintained in accordance with the principles of fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

(i) Operating Fund

The operating fund consists of those revenues and expenses relating to the general operations of the College.

(ii) Capital Fund

The capital fund reflects the equity of the College in capital assets, after taking into consideration any associated long term debt. The capital fund consists of transfers and donations designated for capital purposes by the contributor, net of the annual amortization expense.

(b) Revenue Recognition

The College follows the restricted fund method of accounting for grants. Restricted transfers related to general operations are recognized as revenue of the operating fund in the year in which the related expenses are incurred. Transfers restricted for capital assets are recognized as revenue of the capital fund when received or receivable.

Unrestricted operating transfers are recognized as revenue of the operating fund when received or receivable. Tuition and fee revenue is recognized as the course instruction is delivered. Revenue from contractual services is recognized as the service is delivered.

(c) Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is charged on a straight-line basis over the estimated useful lives of the assets at the following rates, and is reported as an expense in the capital fund:

Buildings	20 years
Furniture and Equipment	3 to 5 years

CARLTON TRAIL REGIONAL COLLEGE
Notes to the Financial Statements
for the year ended June 30, 1998

(d) Inventories

Inventories are recorded at the lower of cost and net realizable value.

(e) Investments

Investments are recorded at the lower of cost and market value.

3. ACCOUNTS RECEIVABLE

Accounts receivable are composed of the following:

	<u>1998</u>	<u>1997</u>
Saskatchewan Post-Secondary		
Education and Skills Training	\$ 99,653	\$ 83,305
Federal Government	36,557	17,173
Carlton Trail REDA	64,964	109,283
Other	<u>80,903</u>	<u>71,698</u>
	<u>\$282,077</u>	<u>\$281,459</u>

4. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>1998 Net Book Value</u>	<u>1997 Net Book Value</u>
Land	\$ 600	\$ --	\$ 600	\$ 600
Buildings	198,975	56,683	142,292	137,310
Furnishings/Equipment	<u>678,083</u>	<u>577,144</u>	<u>100,939</u>	<u>92,825</u>
	<u>\$877,658</u>	<u>\$633,827</u>	<u>\$243,831</u>	<u>\$230,735</u>

5. COMMITMENTS

The College is obligated under the following lease agreements:

- (a) Administration Building: A five year lease, expiring June 30, 2001, calls for monthly rental payments of \$5,000 plus GST.
- (b) Humboldt Collegiate Institute: An annual lease agreement expiring June 30, 1999 calls for annual payments of \$15,000 contingent upon funding being available to operate the Office Education program.
- (c) Cudworth SCN Site: A three year agreement entered in with the Wakaw School Division #48 effective July 1, 1997 specifies a rental of \$3,500 per year.
- (d) Watrous facility: An open ended lease (99 years) with Long Lake School Division specifying payment of operating costs only.
- (e) Equipment: The College is committed to an annual lease payment of \$9,285 plus sales taxes in respect of photocopier equipment. The lease expires February, 2002.

CARLTON TRAIL REGIONAL COLLEGE

Notes to the Financial Statements for the year ended June 30, 1998

6. ACCOUNTS PAYABLE

Accounts payable are composed of the following:

	<u>1998</u>	<u>1997</u>
Saskatchewan Post-Secondary		
Education and Skills Training--Trust Account	\$ 55,098	\$ --
Accrued Vacation Pay	17,672	22,736
Payroll and Employee Benefits	16,053	980
Trade Payables	147,549	99,223
Provision for Retro Pay	<u>9,619</u>	<u>20,371</u>
	<u>\$245,991</u>	<u>\$143,310</u>

7. DEFERRED REVENUE

Deferred revenue consists of transfers received to carry out specific activities in excess of the expenses incurred on those activities at the end of the fiscal year as follows:

	<u>1998</u>	<u>1997</u>
Saskatchewan Post-Secondary		
Education and Skills Training	\$323,046	\$153,874
Federal Government	--	1,292
Other	<u>10,697</u>	<u>32,786</u>
	<u>\$333,743</u>	<u>\$187,952</u>

8. LONG TERM DEBT

	<u>Interest Rate</u>	<u>Annual Repayment Terms</u>	<u>1998</u>	<u>1997</u>
Royal Bank of Canada	Prime	\$18,000	\$37,573	\$53,734
secured by mortgage on welding shop	+ 1%	principal & interest		
Less: Current Portion			(16,161)	(16,161)
			<u>\$21,412</u>	<u>\$37,573</u>

The interest and principal repayments for the next five years are:

	<u>Interest</u>	<u>Principal</u>
1999	\$1,839	\$16,161
2000	1,065	16,935
2001	105	4,477
2002	--	--
2003	--	--

9. RESTRICTIONS ON NET ASSETS

The Board of Directors of Carlton Trail Regional College have placed internal restrictions on \$92,638 (1997 - \$92,638) of unrestricted net assets to be used for future expenditures. These internally restricted amounts are not available for other purposes without approval of the

CARLTON TRAIL REGIONAL COLLEGE
Notes to the Financial Statements
for the year ended June 30, 1998

Board of Directors. External restrictions consists of \$728,000 for capital projects in subsequent periods.

10. BUDGET AMOUNTS

The budget submitted with the Business Plan was prepared by Regional College management with Board approval given on December 3, 1997. Ministerial approval was received April, 1998.

11. RELATED PARTY TRANSACTIONS

Included in these financial statements are revenue and expense amounts resulting from routine transactions with related parties. These transactions are conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which the College is related by virtue of its economic interest with the Government of Saskatchewan.

Expenses for related party transactions during the year were as follows:

	<u>1998</u>	<u>1997</u>
Accounts Payable	\$ 27,470	\$ 23,065
Sask Tel Expenses	67,640	68,444
Sask Power & Energy Expenses	23,484	25,171
SIAST	572,452	474,995
Sask. Property Management	49,173	49,365

Account balances from these transactions are included in the balance sheet and are settled on normal trade terms. Other transactions with related parties are disclosed elsewhere in these financial statements.

The College receives long distance telephone service between major centres from Sask Tel, a related party, at reduced rates available to government agencies.

12. FINANCIAL INSTRUMENTS

- (a) The carrying amount of cash and temporary investments, accounts receivable, accounts payable and accrued salaries and vacation payable approximates fair value due to the short term maturity of these instruments. There are no significant terms or conditions related to these financial instruments that may affect the amount, timing, or certainty of future cash flows.
- (b) The College is exposed to credit risk from the potential non-payment of accounts receivable. The majority of the college's receivables are from the provincial and federal government, therefore, credit risk is minimal.

CARLTON TRAIL REGIONAL COLLEGE

Notes to the Financial Statements for the year ended June 30, 1998

13. PENSIONS

Employees of the college participate in one of two pension plans. Teachers and other employees holding a teaching certificate participate in a defined benefit plan, the Teachers' Superannuation Plan (TSP) which is administered by the Teachers' Superannuation Commission. The college has no financial obligation to TSP. Eligible employees contribute to TSP for their current service. No matching contribution is made by the Board. The General Revenue Fund is responsible for the financial obligations of the TSP. All other employees participate through Municipal Employees' Pension Plan (MEPP) which is also a multi-employer defined benefit plan. The last actuarial valuation of the MEPP indicated there was a surplus in the plan. The college's financial obligation to the MEPP is limited to making required payments to match amounts contributed by employees for current services. Pension expense for the year amounted to 1998 - \$27,470, (1997 - \$23,065).

14. COMPARATIVE INFORMATION

Certain 1997 balances have been reclassified to conform with the current year's presentation.

15. CHANGE IN ACCOUNTING POLICY

During the year, the College retroactively changed its accounting policy to reflect the new accounting principles and requirements for financial statement presentation applicable to non-for-profit organizations issued by the Canadian Institute of Chartered Accountants. Comparative amounts provided for the prior year have been restated accordingly.

The change in accounting policy and its effect on the financial statements is summarized as follows:

(a) Capital assets and amortization

Capital assets are capitalized and amortized (depreciated) over their expected useful lives. In prior years, the full cost of capital assets was recorded as an expenditure in the year of acquisition. In addition the capital asset was recorded and carried at cost within the capital fund until disposition, destruction or retirement. As a result of the change:

Net capital assets at June 30, 1997 before restatement were	\$732,823
Adjustment to reflect unrecorded retirements, writeoffs, etc.	(70,743)
Adjustment to record depreciation to June 30, 1996	(345,302)
Adjustment to record depreciation for 1997	(86,043)
Restated Net Capital Assets at June 30, 1997	<u>\$230,735</u>

	<u>1998</u>	<u>1997</u>
Net book value of capital assets (decrease)	(\$82,015)	(\$86,043)
Fund balance invested in capital assets (decrease)	(82,015)	(86,043)
Expenditures on capital assets (decrease)	(95,111)	(133,597)
Amortization of capital assets (increase)	82,015	86,043
Excess of revenue over expense (increase)	82,015	86,043

CARLTON TRAIL REGIONAL COLLEGE
Notes to the Financial Statements
for the year ended June 30, 1998

16. PROVINCIAL TRAINING ALLOWANCE PROGRAM

During the year the College made an agreement with Saskatchewan Post-Secondary Education and Skills Training (the Department) to pay training allowances for the Department. The Department is responsible for approving all payments made per the agreement. All money received for this program from the Department is property of the Department until the College pays eligible applicants.

Since the money spent on the program is the Department's responsibility, these transactions are not reflected in the College's financial statements.

During the year, the College paid \$412,334 in training allowances to 101 eligible applicants. At year end the College held \$55,098 in trust for the Department.

17. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved. Management has initiated a process to identify areas that may be vulnerable to the impact of the year 2000 issue and to gain assurances from suppliers surrounding compliance.

Neumann & Neumann

Chartered Accountants

Board of Directors
Cumberland Regional College
Nipawin, Saskatchewan

AUDITORS' REPORT

We have audited the statement of financial position of Cumberland Regional College as at June 30, 1998 and the statements of operations, changes in fund balances and cash flows for the year then ended. The College's management is responsible for preparing these financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The prior year figures were audited by another auditing firm.

Neumann & Neumann
Chartered Accountants

Nipawin, Saskatchewan
September 8, 1998

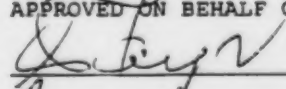
Statement 1

CUMBERLAND REGIONAL COLLEGE

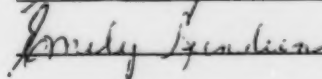
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 1998

	1998			(Note 17)
	Operating	Capital	Total	1997
ASSETS				
Current Assets				
Cash and temporary investments	\$1,123,929	\$ 138,059	\$1,261,988	\$ 997,736
Accounts Receivable (note 3)	234,293	--	234,293	136,382
Prepaid expenses	17,234	--	17,234	12,569
	1,375,456	138,059	1,513,515	1,146,687
Investments (note 4)	355,000	--	355,000	355,000
Capital Assets (note 5)	--	1,196,948	1,196,948	1,228,973
	<u>\$1,730,456</u>	<u>\$1,335,007</u>	<u>\$3,065,463</u>	<u>\$2,730,660</u>
LIABILITIES				
Current Liabilities				
Accounts payable (note 7)	\$ 108,216	\$ --	\$ 108,216	\$ 55,020
Accrued salaries and vacation payable	48,077	--	48,077	55,436
Deferred revenue (note 8)	430,739	--	430,739	394,088
	587,032	--	587,032	504,544
Fund Balances				
Invested in capital assets	--	1,196,948	1,196,948	1,228,973
Internally restricted as reserves (note 9)	249,401	138,059	387,460	270,190
Unrestricted	894,023	--	894,023	726,951
	1,143,424	1,335,007	2,478,431	2,226,116
	<u>\$1,730,456</u>	<u>\$1,335,007</u>	<u>\$3,065,463</u>	<u>\$2,730,660</u>

APPROVED ON BEHALF OF THE BOARD



Director



Director

See accompanying notes

Statement 2

CUMBERLAND REGIONAL COLLEGE

STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1998

	(Note 11) Budget	Operating 1998	(Note 17) 1997	Capital 1998	(Note 17) 1997	Total 1998	(Note 17) 1997
Revenues (Schedule 1)							
Saskatchewan Post-Secondary Education and Skills Training	\$2,329,416	\$2,596,768	\$2,463,848	\$ 85,000	\$1,004,962	\$2,681,768	\$3,468,810
Federal Government	29,751	293,021	284,700	--	--	293,021	284,700
Other Revenue	477,261	696,026	547,576	--	--	696,026	547,576
Total revenues	2,836,430	3,585,815	3,296,124	85,000	1,004,962	3,670,815	4,301,086
Expenses (Schedule 2)							
Contractual and Professional Services	777,840	1,182,298	1,174,357	--	--	1,182,298	1,174,357
Rentals	163,977	150,630	141,871	--	--	150,630	141,871
Repairs and Maintenance	12,000	5,200	11,004	--	--	5,200	11,004
Amortization	--	--	--	155,844	129,539	155,844	129,539
Operating Expenses (Schedule 3)	593,842	531,639	439,089	--	--	531,639	439,089
Personal Services	1,281,688	1,392,889	1,202,224	--	--	1,392,889	1,202,224
Total expenses	2,829,347	3,262,656	2,968,545	155,844	129,539	3,418,500	3,098,084
Excess/(deficiency) of revenues over expenses	\$ 7,083	\$ 323,159	\$ 327,579	\$ (70,844)	\$ 875,423	\$ 252,315	\$ 1,203,002

See accompanying notes

Statement 3

CUMBERLAND REGIONAL COLLEGE

STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1998

	Invested in capital assets	Internally restricted assets	Unre- stricted	1998	(Note 17) 1997
Balance, beginning of the year	\$1,228,973	\$ 270,190	\$ 726,953	\$2,226,116	\$1,023,114
Excess/(deficiency) of revenue over expenses	(70,844)	--	323,159	252,315	1,203,002
Investment in capital assets	123,819	--	(123,819)	--	--
Appropriated to reserves	--	117,270	(117,270)	--	--
Transfers between funds	(85,000)	--	85,000	--	--
	<u>\$1,196,948</u>	<u>\$ 387,460</u>	<u>\$ 894,021</u>	<u>\$2,478,431</u>	<u>\$2,226,116</u>

See accompanying notes

Statement 4

CUMBERLAND REGIONAL COLLEGE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1998

	<u>1998</u>	(Note 17) <u>1997</u>
CASH PROVIDED BY (USED IN):		
Operating Activities		
Excess/deficiency of revenue over expenses	\$ 323,159	\$ 327,579
Net change in non-cash working capital (note 10)	<u>(20,088)</u>	<u>246,678</u>
	<u>303,071</u>	<u>574,257</u>
Investing Activities		
Purchase of capital assets	(123,819)	(1,101,973)
Increase in investments	<u>--</u>	<u>(150,000)</u>
	<u>(123,819)</u>	<u>(1,251,973)</u>
Financing Activities		
Capital contributions received	<u>85,000</u>	<u>1,004,962</u>
Increase in cash during year	264,252	327,246
Cash, beginning of year	<u>997,736</u>	<u>670,490</u>
Cash, end of year	<u>\$1,261,988</u>	<u>\$ 977,736</u>

See accompanying notes

Schedule 1

CUMBERLAND REGIONAL COLLEGE
SCHEDULE OF OPERATING FUND REVENUES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 1998

	Admini- stration	Programming					Support Services—		1998 Total	Budget	(Note 17) 1997
		Community & General Individual Revenue Development		Basic Education	Vocational Technical	University Credit	Career Services	Student Services			
Post-Secondary Education and Skills Training											
Admin Recovery	\$ 78,773	\$ --	\$ 20,346	\$ 27,681	\$ 16,968	\$ 1,989	\$ --	\$ --	\$ 145,757	\$ 122,061	\$ 100,538
Base Grant	562,301	--	--	--	--	--	--	--	562,301	562,300	562,300
Outreach Fund	--	--	--	--	171,569	--	--	--	171,569	135,747	135,747
Program Payments	--	6,202	426,889	672,692	--	110,286	--	--	1,216,069	1,439,308	1,053,290
Other	52,520	--	4,286	--	--	444,266	--	--	501,072	70,000	611,973
	<u>691,594</u>	<u>6,202</u>	<u>451,521</u>	<u>700,373</u>	<u>188,537</u>	<u>556,541</u>	<u>--</u>	<u>--</u>	<u>2,596,768</u>	<u>2,329,416</u>	<u>2,461,848</u>
Federal Government											
Admin Recovery	--	--	6,819	29,126	--	--	--	--	35,965	--	54,189
Seat Purchases	--	--	--	41,565	--	--	--	--	41,565	4,974	229,587
Projects	--	--	--	196,767	--	--	--	--	196,767	19,896	--
Other	18,724	--	--	--	--	--	--	--	18,724	4,881	924
	<u>18,724</u>	<u>--</u>	<u>6,819</u>	<u>267,458</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>293,021</u>	<u>29,751</u>	<u>284,700</u>
Other											
Admin Recovery	--	--	6,805	1,949	9,169	--	--	--	17,923	10,173	15,068
Contracts	--	71,071	77,230	7,795	85,231	4,589	--	--	245,916	126,568	195,668
Interest	80,568	--	--	--	--	--	--	--	80,568	55,000	53,678
Rents	10,571	--	--	--	--	--	--	--	10,571	--	33,688
Resale Items	408	26,986	--	31,533	33,634	360	--	--	92,921	61,500	48,411
Tuitions	--	126,312	--	92,584	--	--	--	--	218,896	185,513	173,819
Other	10,021	--	945	139	15	18,111	--	--	29,231	38,509	27,244
	<u>101,568</u>	<u>224,369</u>	<u>84,980</u>	<u>134,000</u>	<u>128,049</u>	<u>21,060</u>	<u>--</u>	<u>--</u>	<u>696,026</u>	<u>477,263</u>	<u>547,576</u>
Total Revenue	813,886	230,571	543,340	1,101,831	316,586	579,601	--	--	3,585,815	2,836,430	3,296,124
Total Expense (Schedule 2)	819,005	166,426	170,235	890,828	192,287	821,875	--	--	3,262,656	2,829,347	2,968,545
Excess/(deficiency) of revenue over expenses	\$ (5,119)	\$ 64,145	\$ 173,105	\$ 211,003	\$ 124,299	\$ (244,274)	\$ --	\$ --	\$ 323,159	\$ 7,083	\$ 327,579

Schedule 3

CUMBERLAND REGIONAL COLLEGE

SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 1998

	<u>1998</u>	<u>1997</u>
Advertising	\$ 68,277	\$ 37,615
Association Fees and Dues	5,344	7,789
Bank Charges and Interest	553	524
Computer Software	47,368	4,703
Conference and Training Fees	13,940	4,573
Insurance	6,531	6,194
Materials and Supplies	118,631	60,061
Postal, Freight and Courier	12,339	12,408
Printing and Duplicating	4,200	2,828
Resale Items	90,709	48,647
Subscriptions	1,066	1,281
Telephone and Fax	59,255	49,462
Travel	64,689	57,475
Utilities	8,934	12,239
Other	<u>29,803</u>	<u>133,290</u>
	<u>\$531,639</u>	<u>\$439,089</u>

Schedule 4

CUMBERLAND REGIONAL COLLEGE

SCHEDULE OF RESERVE TRANSACTIONS
FOR THE YEAR ENDED JUNE 30, 1998

	Balance, beginning of the year	Appropriations from unrestricted net assets	Transfers to Unrestricted net assets	Balance, end of the year
Operating Fund				
University	\$ 79,027	\$ 20,000	\$ --	\$ 99,027
SCN	18,980	1,000	--	19,980
Student Services	20,514	5,000	--	25,514
Education Leave	22,574	--	--	22,574
Professional Development	33,806	--	--	33,806
Literacy	5,230	5,500	(4,230)	6,500
Retroactive Salary	--	20,000	--	20,000
Career Services	--	22,000	--	22,000
	180,130	73,500	(4,230)	249,400
Capital Fund				
Tech Lab - Tisdale	20,000	--	--	20,000
Capital	70,059	48,000	--	118,059
	90,059	48,000	--	138,059
	\$270,190	\$121,500	\$ (4,230)	\$387,460

CUMBERLAND REGIONAL COLLEGE**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998****1. PURPOSE AND AUTHORITY**

The Cumberland Regional College offers educational services and programs under the authority of Section 14 of *The Regional Colleges Act*.

The Board of the Cumberland Regional College is responsible for administering and managing the educational affairs of the College in accordance with the intent of *The Regional Colleges Act* and its regulations.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant policies:

(a) Fund Accounting

The accounts of the College are maintained in accordance with the principles of fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

(i) Operating Fund

The operating fund consists of those revenues and expenses relating to the general operations of the College.

(ii) Capital Fund

The capital fund reflects the equity of the College in capital assets after taking into consideration any associated long term debt. The capital fund consists of transfers and donations designated for capital purposes by the contributor, net of the annual amortization expense.

(b) Revenue recognition

The College follows the restricted fund method of accounting for grants. Restricted transfers related to general operations are recognized as revenue of the operating fund in the year in which the related expenses are incurred. Transfers restricted for capital assets are recognized as revenue of the capital fund when received or receivable.

CUMBERLAND REGIONAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

2. SIGNIFICANT ACCOUNTING POLICIES cont'd

(b) Revenue recognition cont'd

Unrestricted operating transfers are recognized as revenue of the operating fund when received or receivable. Tuition and fee revenue is recognized as the course instruction is delivered. Revenue from contractual services is recognized as the service is delivered.

(c) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is charged on a straight-line basis over the estimated useful lives of the assets at the following rates, and is reported as an expense in the capital fund:

Buildings	5%
Leasehold improvements	5%
Furniture and equipment	10% to 33%
Vehicles	20%

(d) Investments

Investments are recorded at the lower of cost and market value.

3. ACCOUNTS RECEIVABLE

Accounts receivable are composed of the following:

	<u>1998</u>	<u>1997</u>
Saskatchewan Post-Secondary Education and Skills Training	\$192,150	\$113,144
SIAST	10,207	50
Federal government	3,106	1,650
Other	<u>28,830</u>	<u>21,537</u>
	<u>\$234,293</u>	<u>\$136,381</u>

CUMBERLAND REGIONAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

4. INVESTMENTS

Investments consist of:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>1998</u>	<u>1997</u>
SaskTel Bond	6.50%	March, 1999	\$ 5,000	\$ 5,000
Sask Savings Bond	8.00%	July, 1999	100,000	100,000
Sask Savings Bond	6.75%	July, 2000	100,000	100,000
Sask Savings Bond	5.50%	July, 2001	<u>150,000</u>	<u>150,000</u>
			<u>\$355,000</u>	<u>\$355,000</u>

5. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Buildings	\$ 963,612	\$ 96,391	\$ 867,221	\$ 915,416
Leasehold improvements	216,920	28,740	188,180	199,026
Furnishings/ equipment	290,622	158,469	132,153	100,439
Vehicles	<u>23,486</u>	<u>14,092</u>	<u>9,394</u>	<u>14,092</u>
	<u>\$1,494,640</u>	<u>\$ 297,692</u>	<u>\$1,196,948</u>	<u>\$1,228,973</u>

6. LEASE OBLIGATIONS

The College is committed under term leases for office space at the following minimum amounts over the next five years (exclusive of proportionate increases and additional occupancy costs):

1999	\$ 64,540
2000	16,248

CUMBERLAND REGIONAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

7. ACCOUNTS PAYABLE

Accounts payable are composed of the following:

	<u>1998</u>	<u>1997</u>
Saskatchewan Post-Secondary		
Education and Skills Training	\$ --	\$ 26,213
Government of Saskatchewan - Other	3,355	2,919
Federal government	50,259	1,660
Other	<u>54,602</u>	<u>24,228</u>
	<u>\$108,216</u>	<u>\$ 55,020</u>

8. DEFERRED REVENUE

Deferred revenue consists of transfers received to carry out specific activities in excess of the expenses incurred on those activities at the end of the fiscal year as follows:

	<u>1998</u>	<u>1997</u>
Saskatchewan Post-Secondary		
Education and Skills Training	<u>\$430,739</u>	<u>\$394,088</u>

9. RESTRICTIONS ON NET ASSETS

The Board of Directors of Cumberland Regional College has placed internal restrictions on \$387,460 (1997 - \$270,190) of unrestricted net assets to be used for future expenditures. These internally restricted amounts are not available for other purposes without approval of the Board of Directors. A separate schedule details the internal restrictions and the individual amounts under each restriction.

10. NET CHANGE IN NON-CASH WORKING CAPITAL

	<u>1998</u>	<u>1997</u>
Accounts receivable	\$ (97,912)	\$ 4,465
Prepaid expenses	(4,665)	5,055
Accounts payable and accrued		
vacation payable	45,838	12,928
Deferred revenue	<u>36,651</u>	<u>224,230</u>
Net increase (decrease) in cash	<u>\$ (20,088)</u>	<u>\$246,678</u>

CUMBERLAND REGIONAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

11. BUDGET AMOUNTS

The budget was prepared by regional college management with Board approval given on June 24, 1997.

12. RELATED PARTY TRANSACTIONS

Included in these financial statements are revenue and expense amounts resulting from routine transactions with related parties. These transactions are conducted at agreed rates with various Saskatchewan Crown-controlled departments, agencies and corporations with which the College is related by virtue of its economic interest with the Government of Saskatchewan.

Expenses for related party transactions during the year were as follows:

	<u>1998</u>
SaskTel expenses	\$ 58,311
Sask Property Management Corp. expenses	34,530
SaskPower expenses	<u>648</u>
	<u>\$ 93,489</u>

Account balances from these transactions are included in the balance sheet and are settled on normal trade terms. Other transactions with related parties are disclosed elsewhere in these financial statements.

13. PROVINCIAL TRAINING ALLOWANCE PROGRAM

During the year the College made an agreement with Saskatchewan Post-Secondary Education and Skills Training (the Department) to pay training allowances for the Department. The Department is responsible for approving all payments made per the agreement. All money received for this program from the Department is property of the Department until the College pays eligible applicants.

Since the money spent on the program is the Department's responsibility, these transactions are not reflected in the College's financial statements.

During the year, the College paid \$577,058 in training allowances to 141 eligible applicants. At year end, the College held \$1,495 in trust for the Department.

CUMBERLAND REGIONAL COLLEGE**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998****14. FINANCIAL INSTRUMENTS**

- (a) The carrying amount of cash and temporary investments, accounts receivable, accounts payable and accrued salaries and vacation payable approximates fair value due to the short term maturity of these instruments. There are no significant terms or conditions related to these financial instruments that may affect the amount, timing, or certainty of future cash flows.

The fair value of investments is considered to approximate market value which is \$355,000 (1997 - \$355,000).

- (b) The College is exposed to credit risk from the potential non-payment of accounts receivable. The majority of the College's receivables are from the provincial and federal government, therefore, credit risk is minimal.

15. PENSIONS

Employees of the college participate in one of three pension plans. Teachers and other employees holding a teaching certificate participate in a defined benefit plan, the Teachers' Superannuation Plan (TSP) or the Saskatchewan Teachers Retirement Plan (STRP) which are administered by the Teachers' Superannuation Commission. The college has no financial obligation to TSP or STRP. Eligible employees contribute to TSP and STRP for their current service. No matching contribution is made by the Board. The General Revenue Fund is responsible for the required employer contributions of the STRP and for the financial obligations of the TSP. All other employees participate through Municipal Employees' Pension Plan (MEPP) which is also a multi-employer defined benefit plan. The last actuarial valuation of the MEPP indicated there was a surplus in the plan. The college's financial obligation to the MEPP is limited to making required payments to match amounts contributed by employees for current services. Pension expense for the year amounted to \$27,542 (1997 - \$28,095).

16. COMPARATIVE INFORMATION

Certain 1997 balances have been reclassified to conform with the current year's presentation.

CUMBERLAND REGIONAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998

17. CHANGE IN ACCOUNTING POLICY

During the year, the College retroactively changed its accounting policy to reflect the new accounting principles and requirements for financial statement presentation applicable to not-for-profit organizations issued by the Canadian Institute of Chartered Accountants. Comparative amounts provided for the prior year have been restated accordingly.

The change in accounting policy and its effect on the financial statements is summarized as follows:

Capital assets and amortization

Capital assets are capitalized and amortized (depreciated) over their expected useful lives. In prior years, the full cost of capital assets was recorded as an expenditure in the year of acquisition. In addition the capital asset was recorded and carried at cost within the capital fund until disposition, destruction or retirement. As a result of the change:

	<u>1998</u>	<u>1997</u>
Net book value of		
capital assets (decrease)		\$ (607,719)
Equity in		
capital assets (decrease)		(1,836,693)
Fund balance invested in		
capital assets (increase)		(1,228,974)
Expenditures on		
capital assets (decrease)	\$ (123,819)	(1,101,973)
Amortization of		
capital assets (increase)	(155,844)	(129,539)
Deferred revenue (decrease)	--	(41,350)
Excess of revenue		
over expense (decrease)	(32,025)	1,013,784

CUMBERLAND REGIONAL COLLEGE**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998****18. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE**

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the College, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

STARK**&****MARSH****CHARTERED ACCOUNTANTS**

E.L. Blenner-Hassett CA
R.G. Budd CA
K.A. Hagen CA
A.D. Kiesman CA

G.F. Knakoske CA
R.J. Marsh CA
G.D. Rittinger FCA

R.D. Siemens CA
G.D. Smith CA
G.J. Trembath CA
B.W. Wiebe CA

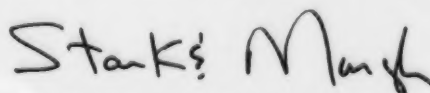
CYPRESS HILLS REGIONAL COLLEGE**FINANCIAL STATEMENTS****JUNE 30, 1998****AUDITORS' REPORT**

To the Board of the Cypress Hills Regional College

We have audited the balance sheet of the Cypress Hills Regional College as at June 30, 1998 and the statements of operations and changes in fund balances and changes in financial position for the year then ended. The college is responsible for preparing these financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the college as at June 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Chartered Accountants

CYPRESS HILLS REGIONAL COLLEGE

BALANCE SHEET
As at June 30, 1998

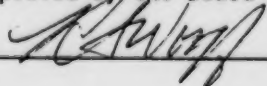
Statement 1

	ASSETS			1997 Total (Note 14)
	Operating fund	Capital fund	Total	
Current				
Cash and temporary investments	\$ 629,751	-	629,751	\$ 427,032
Accounts receivable - Note 5	150,105	-	150,105	115,950
Inventories	14,059	-	14,059	1,982
Prepaid expenses	3,178	-	3,178	36,242
Other	150	-	150	150
	<u>797,243</u>	<u>-</u>	<u>797,243</u>	<u>581,356</u>
Capital - Note 3 and 14	<u>-</u>	<u>673,927</u>	<u>673,927</u>	<u>627,451</u>
	<u>\$ 797,243</u>	<u>673,927</u>	<u>1,471,170</u>	<u>\$ 1,208,807</u>

LIABILITIES AND FUND BALANCES

Current				
Accounts payable - Note 6	\$ 109,049	-	109,049	\$ 57,472
Accrued salaries and vacation payable	40,897	-	40,897	39,827
Deferred revenues - Note 8	276,227	-	276,227	145,008
Tuition fee deposits	2,148	-	2,148	5,560
	<u>428,321</u>	<u>-</u>	<u>428,321</u>	<u>247,867</u>
Fund balances - Statement 3				
Invested in capital assets	-	673,927	673,927	627,451
Internally restricted as reserves	24,400	-	24,400	24,400
Unrestricted	344,522	-	344,522	309,089
	<u>368,922</u>	<u>673,927</u>	<u>1,042,849</u>	<u>960,940</u>
	<u>\$ 797,243</u>	<u>673,927</u>	<u>1,471,170</u>	<u>\$ 1,208,807</u>

Approved by the Board of Trustees

 Director

Director

See accompanying notes to financial statements

STARK
&
MARSH

CYPRESS HILLS REGIONAL COLLEGE

STATEMENT OF OPERATIONS

For the year ended June 30, 1998

	Operating		Capital		Total	
	Budget (Note 18)	1998 (Note 14)	1998	1997 (Note 14)	1998	1997 (Note 14)
Revenues - Schedule 1						
Saskatchewan Post-Secondary						
Education and Skills Training	\$ 2,279,451	1,988,922	1,873,272	-	2,037,611	1,873,272
Federal Government	136,750	207,955	257,268	-	207,955	257,268
Other revenues	430,856	631,275	547,086	-	631,275	547,086
	<u>2,847,057</u>	<u>2,828,152</u>	<u>2,677,626</u>	<u>-</u>	<u>2,896,841</u>	<u>2,677,626</u>
Expenses - Schedule 2						
Contractual and professional services	652,669	668,191	465,335	-	668,191	465,335
Rentals	81,927	73,100	83,171	-	73,100	83,171
Repairs and maintenance	18,500	26,281	34,717	-	26,281	34,717
Amortization	-	-	-	-	-	-
Operating expenses - Schedule 3	597,285	498,262	471,951	102,023	114,229	102,023
Personal Services	1,487,745	1,434,869	1,480,300	13,836	498,262	485,787
	<u>2,838,126</u>	<u>2,700,703</u>	<u>2,535,474</u>	<u>-</u>	<u>1,434,869</u>	<u>1,480,300</u>
			<u>114,229</u>	<u>115,859</u>	<u>2,814,932</u>	<u>2,651,333</u>
Excess (deficiency) of revenue over expenses	<u>\$ 8,931</u>	<u>127,449</u>	<u>142,152</u>	<u>(45,540)</u>	<u>81,909</u>	<u>26,293</u>

See accompanying notes to financial statements

CYPRESS HILLS REGIONAL COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
For the year ended June 30, 1998

	<u>Statement 3</u>		
	Invested in capital assets	Internally restricted assets	1997 Total (Note 14)
Balance, beginning of year	\$ 627,451	24,400	960,940
Excess (deficiency) of revenue over expenses	(45,540)	-	81,909
Investment in capital assets - Note 16	92,016	(92,016)	-
Balance, end of year	<u>\$ 673,927</u>	<u>24,400</u>	<u>1,042,849</u>
			<u>\$ 960,940</u>

See accompanying notes to financial statements

CYPRESS HILLS REGIONAL COLLEGE

STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended June 30, 1998

	<u>Statement 4</u>	
	<u>1998</u>	<u>1997</u> (Note 14)
Cash from operating activities		
Excess of revenue over expenses	\$ 81,909	\$ 26,293
Charges to operations not affecting cash		
Amortization	114,229	102,023
Loss on disposal of assets	-	13,836
Net change in non-cash working capital	<u>167,286</u>	<u>139,439</u>
	<u>363,424</u>	<u>281,591</u>
Investing activities		
Purchase of capital assets	<u>(160,705)</u>	<u>(123,335)</u>
Increase in cash during year	202,719	158,256
Cash and investments, beginning of year	<u>427,032</u>	<u>268,776</u>
Cash and investments, end of year	<u>\$ 629,751</u>	<u>\$ 427,032</u>

See accompanying notes to financial statements

CYPRESS HILLS REGIONAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 1998

1. Purpose and authority

The Cypress Hills Regional College offers educational services and programs under the authority of Section 14 of *The Regional Colleges Act*.

The Board of the Cypress Hills Regional College is responsible for administering and managing the educational affairs of the College in accordance with the intent of *The Regional Colleges Act* and its regulations.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant policies:

(a) Fund accounting

The accounts of the College are maintained in accordance with the principles of fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

(i) Operating fund

The operating fund consists of those revenues and expenses relating to the general operations of the College.

(ii) Capital fund

The capital fund reflects the equity of the College in capital assets after taking into consideration any associated long-term debt. The capital fund consists of transfers and donations designated for capital purposes by the contributor, net of the annual amortization expense.

(b) Revenue recognition

The College follows the restricted fund method of accounting for grants. Restricted transfers related to general operations are recognized as revenue of the operating fund in the year in which the related expenses are incurred. Transfers restricted for capital assets are recognized as revenue of the capital fund when received or receivable.

Unrestricted operating transfers are recognized as revenue of the operating fund when received or receivable. Tuition and fee revenue is recognized as the course instruction is delivered. Revenue from contractual services is recognized as the service is delivered.

(c) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is charged on a straight-line basis over the estimated useful lives of the assets at the following rates, and is reported as an expense in the capital fund:

Buildings	5%
Furniture and equipment	10% to 33%

(d) Inventories

Inventories are recorded at the lower of cost and net realizable value.

(e) Investments

Investments are recorded at the lower of cost and market value.

CYPRESS HILLS REGIONAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 1998

3. Capital assets

		1998		1997
		Original cost	Accumulated amortization	Net book value
Land	\$	35,000	-	35,000
Buildings		722,914	221,509	501,405
Furniture and equipment		522,066	384,544	137,522
	\$	<u>1,279,980</u>	<u>606,053</u>	<u>673,927</u>
				<u>\$ 627,451</u>

4. Class allowances

This represents amounts paid to students under the federal job re-entry program. These amounts were paid to the College by the federal government, to be passed on to the students, conditional on them staying in the programs.

5. Accounts receivable

The accounts receivable as at June 30 were comprised as follows:

	1998	1997
Saskatchewan Post-Secondary Education and Skills Training	\$ 65,956	\$ 74,474
Federal government	21,759	9,325
Other	<u>62,390</u>	<u>32,151</u>
	<u>\$ 150,105</u>	<u>\$ 115,950</u>

6. Accounts payable

The accounts payable as at June 30 were comprised as follows:

	1998	1997
Payroll and employee benefits	\$ 921	\$ 659
Universities and SIAST	447	9,520
Other trade payables	<u>107,681</u>	<u>47,293</u>
	<u>\$ 109,049</u>	<u>\$ 57,472</u>

7. Related party transactions

These financial statements include transactions with related parties. The College is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the College is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. These transactions, and amounts outstanding at year end, are as follows.

CYPRESS HILLS REGIONAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 1998

7. Related party transactions (continued)

The College brokerages course programs from SIAST. The amount incurred during the year amounted to \$375,479 (1997 - \$340,579).

The College purchased telephone and utilities services from Saskatchewan Crown Corporations in the amount of \$71,308 (1997 - \$55,137).

The College received \$339,378 (1997 - \$250,673) from Saskatchewan Post-Secondary Education and Skills Training for the Future Skills Program to cover co-ordination costs associated with delivering the program to Southern Saskatchewan.

The College received funds from New Careers in the amount of \$28,197 (1997 - \$118,190) to deliver various training and education programs.

The College offers courses through the University of Regina. The amount paid to the university was \$127,947 (1997 - \$126,167).

The College holds two Saskatchewan Savings Bonds:

- face value of \$100,000, maturing July 15, 1999, interest rate 8%
- face value of \$8,000, maturing July 15, 2000, interest rate 6.75%

The College paid \$28,156 (1997 - \$30,253) to Saskatchewan Property Management Corporation for vehicle leases and mail services.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

8. Deferred revenue

Deferred revenue consists of transfers received to carry out specific activities in excess of the expenses incurred on those activities at the end of the fiscal year as follows:

	<u>1998</u>	<u>1997</u>
Federal government	\$ 63,820	\$ -
Saskatchewan Post-Secondary Education and Skills Training	209,907	142,434
Other	<u>2,500</u>	<u>2,574</u>
	<u>\$ 276,227</u>	<u>\$ 145,008</u>

9. Pensions

Employees of the college participate in one of two pension plans. Teachers and other employees holding a teaching certificate participate in a defined benefit plan, the Teachers' Superannuation Plan (TSP) which is administered by the Teachers' Superannuation Commission. The college has no financial obligation to TSP. Eligible employees contribute to TSP for their current service. No matching contribution is made by the Board. The General Revenue Fund is responsible for the financial obligations of the TSP.

CYPRESS HILLS REGIONAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 1998

9. Pensions (continued)

All other employees participate through Municipal Employees' Pension Plan (MEPP) which is also a multi-employer defined benefit plan. The last actuarial valuation of the MEPP indicated there was a surplus in the plan. The college's financial obligation to the MEPP is limited to making required payments to match amounts contributed by employees for current services. Pension expense for the year amounted to \$40,340 (\$41,781 for 1997).

10. Commitments

(a) The College has made commitments to purchase capital equipment costing approximately \$7,500.

(b) The College is obligated under the following lease agreements:

(i) Gravelbourg Learning Centre: A two-year agreement, entered into with the Gravelbourg School Division #109 effective from July 1, 1997 specifies a rental of \$7,152 per year.

(ii) Maple Creek Learning Centre: A two-year agreement with a 90 day termination clause and a one-year extension, entered into with John Stuber and Walter Mund effective from July 1, 1997 specifies an annual rental of \$5,280 in year one and \$5,760 annually in year two and year three.

(iii) Shaunavon Learning Centre: A one-year agreement continuing thereafter on a year to year basis, entered into with the Shaunavon School Division #71 effective August 1, 1994 specifies a rental of \$4,800 per year.

11. Line of credit

The College has obtained approval to establish a line of credit of \$250,000 at Southwest Credit Union Ltd. with interest at a rate of prime less 1/2% secured by an assignment of government grants, program payments and other revenue. The College did not utilize this line of credit during 1997-98.

12. Financial instruments

a) The carrying amount of cash and temporary investments, accounts receivable, accounts payable and accrued salaries and vacation payable approximates fair value due to the short term maturity of these instruments. There are no significant terms or conditions related to these financial instruments that may affect the amount, timing, or certainty of future cash flows.

b) The College is exposed to credit risk from the potential non-payment of accounts receivable. The majority of the College's receivables are from the provincial and federal government, therefore, credit risk is minimal.

CYPRESS HILLS REGIONAL COLLEGE

NOTES TO FINANCIAL STATEMENTS
June 30, 1998

13. Comparative information

Certain 1997 balances have been reclassified to conform with the current year's presentation.

14. Change in accounting policy

During the year, the College retroactively changed its accounting policy to reflect the new accounting principles and requirements for financial statement presentation applicable to not-for-profit organizations issued by the Canadian Institute of Chartered Accountants. Comparative amounts provided for the prior year have been restated accordingly.

The change in accounting policy and its effect on the financial statements is summarized as follows:

Capital assets and amortization

Capital assets are capitalized and amortized (depreciated) over their expected useful lives. In prior years, the full cost of capital assets was recorded as an expenditure in the year of acquisition. In addition, the capital asset was recorded and carried at cost within the capital fund until disposition, destruction or retirement. As a result of the change:

	<u>1998</u>	<u>1997</u>
Net book value of capital assets (decrease)	\$ -	\$(664,114)
Fund balance invested in capital assets (increase)	-	(664,114)
Expenditures on capital assets (decrease)	(160,705)	(123,335)
Amortization of capital assets (increase)	(114,229)	(102,023)
Book value of capital assets written off	-	(13,836)
Excess of revenue over expense (increase)	(46,476)	(7,476)

15. Subsequent events

In July 1998, the College purchased a building in Maple Creek, Saskatchewan to be used in providing classes. The cost was \$80,000. This purchase was approved by Saskatchewan Post-Secondary Education and Skills Training, which funded the full cost as well as providing \$55,000 for renovations.

16. Interfund transfers

In 1997-98 the Board approved a transfer of \$92,016 from the Operating Fund to the Capital Fund to be used for capital purchases.

CYPRESS HILLS REGIONAL COLLEGE

NOTES TO FINANCIAL STATEMENTS

June 30, 1998

17. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the college, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

18. Budget amounts

The budget was prepared by regional college management with Board approval given on June 10, 1997. A revised budget was submitted November 24, 1997 at the request of Saskatchewan Post-Secondary Education and Skills Training. Ministerial approval was received May 22, 1998.

19. Provincial training allowance program

During the year the College made an agreement with Saskatchewan Post-Secondary Education and Skills Training (the Department) to pay training allowances for the Department. The Department is responsible for approving all payments made per the agreement. All money received for this program from the Department is property of the Department until the College pays eligible applicants.

Since the money spent on the program is the Department's responsibility, these transactions are not reflected in the College's financial statements.

During the year, the College paid \$320,789 in training allowances to 51 eligible applicants. At year end, the Department owed the College \$21,160 for allowances paid to eligible applicants but not reimbursed.

Cypress Hills Regional College
Statement of Operating Fund Revenues by Function
for the year ended June 30, 1998

Schedule 1

	Programming					Support Services		June 30, 1998 Total	1997/1998 Budget	June 30, 1997 Total
	Administration	General Revenue	Community Individual Development	Adult Basic Education	University	Vocational Technical	Student Services	Career Services		
Revenues:										
Post-Secondary Education and Skills Training										
Administration		50,314	0	0	0	0	0	0	45,000	38,009
Flat Grant		711,813	0	0	0	0	0	0	651,600	659,700
Program Payments		327,545	861	224,464	69,964	423,819	35,262	27,124	1,288,340	1,033,630
Facility Renovations		18,500	0	0	0	0	0	0	18,500	42,000
Other		50,000	0	0	0	0	0	49,256	294,511	99,933
TOTAL		1,158,172	861	224,464	69,964	423,819	35,262	76,380	2,278,451	1,873,272
FEDERAL GOVERNMENT										
Administrative Recovery		0	0	2,513	0	0	0	0	0	0
Program Payments		1,488	0	68,176	0	109,315	0	0	117,693	228,950
Other		26,058	0	0	0	405	0	0	19,057	28,318
TOTAL		27,548	0	70,689	0	109,720	0	0	136,750	237,268
OTHER										
Administrative Recovery		1,500	0	0	0	0	0	0	0	0
Contracts		9	7,650	23,126	0	0	0	0	25,500	38,379
Interest and Dividends		27,271	0	0	0	0	0	0	10,000	18,804
Rents		17,048	57	90	0	1,616	0	0	5,000	4,238
Resale Items		3,519	5,162	689	0	3,505	0	669	16,500	17,360
Tuition		0	165,327	0	56,137	238,497	0	0	354,116	422,190
Other		43,670	6,008	1,002	0	3,017	3,485	22,221	19,750	45,085
TOTAL		93,017	184,204	24,907	56,137	246,835	3,485	22,890	430,866	547,086
Total Revenue		1,278,735	185,065	320,060	126,101	780,174	38,747	99,270	2,847,067	2,677,826
Total Expense		1,433,960	114,602	265,550	117,808	592,436	94,188	82,148	2,838,126	2,535,474
Excess/-Deficiency of revenue over expenses		-155,225	70,463	54,510	8,292	187,738	-55,451	17,122	8,941	142,152

see accompanying notes to financial statements

STARK
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MARSH

Schedule 2

See accompanying notes to financial statements

**Cypress Hills Regional College
Schedule of Operating Expenses
for the year ended June 30, 1998**

Schedule J

	1998	1997
Operating Expenses		
Advertising	57,112	56,738
Association Fees and Dues	20,552	5,519
Bad Debts	0	0
Bank Charges and Interest	55	83
Class Allowances - Note	11,012	25,849
Computer Software	21,338	42,165
Conference Fees	10,248	9,516
Leasehold Improvements	0	0
Minor Equipment Purchases	23,546	11,589
Insurance	10,039	9,865
Licenses and Taxes	41,485	39,530
Materials and Supplies	112,366	94,490
Postage, Freight and Courier	10,407	10,064
Printing and Duplicating	1,896	8,204
Subscriptions	998	737
Telephone	47,242	36,591
Travel	76,571	65,788
Utilities	53,395	55,223
Other	0	0
Total	<u><u>498,262</u></u>	<u><u>471,951</u></u>

DOWNIE JOHNSON SVENKESON
Chartered Accountants

R. G. Downie, CA
R.W. Johnson, FCA
B. W. Svenkeson, CA

AUDITORS' REPORT

To the Board of Governors
North West Regional College

We have audited the statement of financial position of North West Regional College as at June 30, 1998 and the statements of operations, changes in fund balances and changes in financial position for the year then ended. The College is responsible for preparing these financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 1998 and the results of its operations and the changes in financial position for the year then ended in accordance with generally accepted accounting principles.

Downie Johnson Svenkeson

Chartered Accountants.

North Battleford, Saskatchewan,
August 27, 1998.

Statement of Operations
for the year ended June 30, 1998

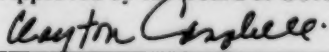
	<u>Budget</u> (Note 13)	<u>Operating</u> <u>1998</u>	<u>1997</u> (Note 16)	<u>Capital</u> <u>1998</u>	<u>1997</u> (Note 16)	<u>Scholarship</u> <u>1998</u>	<u>1997</u> (Note 16)	<u>Total</u> <u>1998</u>	<u>1997</u> (Note 16)
REVENUE (Schedule 1)									
Post-Secondary Education and Skills Training	\$ 2,812,661	\$ 2,618,681	\$ 2,685,463	\$ 304,000				\$ 2,922,681	\$ 2,685,463
Federal Government	421,062	644,523	545,539					644,523	545,539
Other	821,180	1,323,393	1,075,250			923	311	1,324,316	1,075,561
	4,054,903	4,586,597	4,306,252	304,000		923	311	4,891,520	4,306,563
GENERAL OPERATING EXPENDITURES (Schedule 2)									
Contractual and professional services	510,875	811,876	601,742					811,876	601,742
Rentals	250,734	243,144	262,502					243,144	262,502
Repairs and maintenance	22,441	14,163	9,036					14,163	9,036
Amortization									
Operating (Schedule 3)	1,225,375	762,970	980,532		\$ 98,154			101,974	98,154
Personal services	2,148,718	2,483,695	2,121,661					762,970	980,532
Scholarships						1,260	1,300	2,483,695	2,121,661
								1,260	1,300
	4,158,143	4,315,848	3,975,473	101,974		1,260	1,300	4,419,082	4,074,927
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES (103,240)									
		270,749	330,779	202,026		(337)	(989)	472,438	231,636

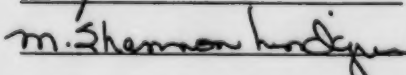
See Accompanying Notes

NORTH WEST REGIONAL COLLEGE**Statement of Financial Position****June 30, 1998**

	1998				1997
	Operating Fund	Capital Fund	Scholarship Fund	Total	Total (Note 16)
ASSETS					
CURRENT ASSETS					
Cash		\$ 1,061,329	\$ 15,218	\$ 1,076,547	\$ 951,471
Accounts receivable (Note 3)	\$ 760,132		64	760,196	176,262
Inventory	6,690			6,690	7,844
Prepaid expenses	93,069			93,069	18,017
	\$ 859,891	\$ 1,061,329	\$ 15,282	\$ 1,936,502	\$ 1,153,594
CAPITAL ASSETS (Note 5)					
		102,397		102,397	105,789
	\$ 859,891	\$ 1,163,726	\$ 15,282	\$ 2,038,899	\$ 1,259,383
LIABILITIES AND FUND BALANCES					
CURRENT LIABILITIES					
Bank overdraft	\$ 4,116			\$ 4,116	
Accounts payable (Note 6)	111,720			111,720	\$ 50,649
Accrued liabilities	58,841			58,841	34,685
Accrued holiday pay (Note 7)	68,241			68,241	65,894
Deferred income (Note 8)	446,822			446,822	231,434
	\$ 689,740			\$ 689,740	\$ 382,662
FUND BALANCES (Schedule 4)					
Invested in capital assets		\$ 102,397		102,397	105,788
Externally restricted		304,000		304,000	
Internally restricted as reserves	170,151	757,329	\$ 15,282	942,762	770,933
Unrestricted	NIL	NIL	NIL	NIL	NIL
	170,151	1,163,726	\$ 15,282	1,349,159	876,721
	\$ 859,891	\$ 1,163,726	\$ 15,282	\$ 2,038,899	\$ 1,259,383

Approved by the Board of Governors

 Chairperson

 Vice-Chairperson

See Accompanying Notes

NORTH WEST REGIONAL COLLEGE**Statement of Changes in Fund Balances
for the year ended June 30, 1998**

	<u>1998</u>					<u>1997</u>
	<u>Internally Restricted Assets</u>	<u>Unrestricted</u>	<u>Capital Fund</u>	<u>Scholarship Fund</u>	<u>Total</u>	<u>Total (Note 16)</u>
Fund Balance beginning of year-as previously stated	\$ 195,377		\$ 1,334,346	\$ 15,619	\$ 1,545,342	\$ 1,246,515
Adjustment for prior years' amortization and asset write downs			(668,621)		(668,621)	(570,466)
Fund balance beginning of year-as restated	195,377		665,725	15,619	876,721	676,049
Excess of revenue over expenditures (deficit)		\$ 270,749	202,026	(337)	472,438	231,636
Purchase of capital assets		(98,583)	98,583			
Disposal of capital assets						(30,964)
Inter fund transfers	\$ (25,226)	(172,166)	197,392			
Fund balance end of year	\$ 170,151	\$ NIL	\$ 1,163,726	\$ 15,282	\$ 1,349,159	\$ 876,721

See Accompanying Notes

Dawnle Johnson Svensson

NORTH WEST REGIONAL COLLEGE**Statement of Changes in Financial Position
for the year ended June 30, 1998**

	<u>1998</u>	<u>1997</u> (Note 16)
Cash from operating activities		
Excess of revenue over expenditures	\$ 472,438	\$ 261,128
Add: item not involving current cash flow:		
Amortization	<u>101,974</u>	<u>68,662</u>
	574,412	329,790
Net change in non-cash working capital balances related to operations	<u>(354,869)</u>	<u>86,169</u>
	219,543	415,959
INVESTING ACTIVITIES		
Purchase of capital assets	(98,583)	(78,413)
	<u> </u>	<u> </u>
NET CASH PROVIDED IN YEAR	120,960	337,546
CASH AT BEGINNING OF YEAR	<u>951,471</u>	<u>613,925</u>
CASH AT END OF YEAR	<u>1,072,431</u>	<u>951,471</u>
	<u> </u>	<u> </u>
CASH CONSISTS OF:		
Cash	1,076,547	951,471
Bank overdraft	<u>(4,116)</u>	<u> </u>
	<u>1,072,431</u>	<u>951,471</u>
	<u> </u>	<u> </u>

See Accompanying Notes

NORTH WEST REGIONAL COLLEGE**Notes to Financial Statements****June 30, 1998****1. Purpose and authority**

The North West Regional College offers educational services and programs under the authority of Section 14 of *The Regional Colleges Act*. North West Regional College was established in 1975 as Mistikwa Community College. On January 1, 1988 the *Regional College Act* was proclaimed, and the College was renamed North West Regional College to reflect its new mandate and extended boundaries. The mission of North West Regional College is to provide adult learning opportunities and to promote life-long learning as a means of enhancing the cultural, economic and social life of the individuals and communities it serves.

The Board of the North West Regional College is responsible for administering and managing the educational affairs of the College in accordance with the intent of *The Regional Colleges Act* and its regulations.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principals, and include the following significant policies.

a) Fund Accounting

A fund is a separate set of accounts provided for each accounting activity established within the accounting system to segregate the transactions of the particular activity. The funds are:

i) Operating Fund

This fund contains the current revenue and expenditures, pertaining to the general activities of the College.

ii) Capital Fund

This fund contains the capital assets of the College and equity in the capital assets. Included in the capital fund are the appropriations for future capital expenditures.

iii) Scholarship Fund

This fund was established to include donations received by the College for purposes of awarding scholarships to students of the College.

b) Revenue Recognition

The College follows the restricted fund method of accounting for grants. Restricted transfers related to general operations are recognized as revenue of the operating fund in the year in which the related expenses are incurred. Transfers restricted for capital assets are recognized as revenue of the capital fund when received or receivable.

NORTH WEST REGIONAL COLLEGE**Notes to Financial Statements****June 30, 1998**

Unrestricted operating transfers are recognized as revenue of the operating fund when received or receivable. Tuition and fee revenue is recognized as the course instruction is delivered. Revenue from contractual services is recognized as the service is delivered.

c) Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is charged on a straight-line basis over the estimated useful lives of the assets at the following rates, and is reported as an expense in the capital fund:

Buildings	2.5% to 4%
Furniture and equipment	10% to 33%
Vehicles	10% to 20%

d) Inventories

Inventories are valued at lower of cost or net realizable value.

3. Accounts Receivable

Accounts Receivable are composed of the following:

	<u>1998</u>	<u>1997</u>
Government of Canada	\$ 38,877	\$ 19,029
Post Secondary Education & Skills Training	581,553	115,327
SIAST	8,158	90
Other	<u>131,608</u>	<u>41,816</u>
	<u>\$ 760,196</u>	<u>\$ 176,262</u>

4. Comparative Figures

Certain of the comparative figures have been revised to conform to the current year's presentation.

5. Capital Assets

Capital assets consist of:

	<u>Cost</u>	<u>1998 Accumulated Amortization</u>	<u>Net Book Value</u>	<u>1997 Net Book Value</u>
Furniture and equipment	\$ 676,870	\$ 580,136	\$ 96,734	\$ 94,463
Leasehold improvements	<u>69,233</u>	<u>63,570</u>	<u>5,663</u>	<u>11,326</u>
	<u>\$ 746,103</u>	<u>\$ 643,706</u>	<u>\$ 102,397</u>	<u>\$ 105,789</u>

NORTH WEST REGIONAL COLLEGE**Notes to Financial Statements****June 30, 1998****6. Accounts Payable**

	<u>1998</u>	<u>1997</u>
Trade	\$ 78,376	\$ 18,059
Wages	<u>33,344</u>	<u>32,590</u>
	<u>\$ 111,720</u>	<u>\$ 50,649</u>

7. Accrued Holiday Pay

	<u>1998</u>	<u>1997</u>
Accrued holiday pay beginning of year	\$ 65,894	\$ 73,506
Net adjustment, current year	<u>2,347</u>	<u>(7,612)</u>
Accrued holiday pay, end of year	<u>\$ 68,241</u>	<u>\$ 65,894</u>

8. Deferred Income

Deferred income consists of:

	<u>1998</u>	<u>1997</u>
SIAST		\$ 30,152
Post-Secondary Education and Skills Training	\$ 380,118	87,281
Federal Government	60,001	
Other	<u>6,703</u>	<u>114,001</u>
	<u>\$ 446,822</u>	<u>\$ 231,434</u>

9. Appropriated Fund Balance - Capital Fund

The appropriated surplus of the capital fund consists of the following:

	<u>1998</u>	<u>1997</u>
Balance - beginning of year	\$ 559,937	\$ 429,687
Add: Transfer from unappropriated surplus of operating fund	<u>197,392</u>	<u>130,250</u>
Balance - end of year	<u>\$ 757,329</u>	<u>\$ 559,937</u>

NORTH WEST REGIONAL COLLEGE**Notes to Financial Statements****June 30, 1998****10. Related Party Transactions**

These financial statements include transactions with related parties. The College is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the College is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms.

In addition, the College pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

Expenses for related party transactions during the year were as follows:

	<u>1998</u>	<u>1997</u>
Sask Power	\$ 28,649	\$ 28,469
Sask Tel	60,223	50,801
Saskatchewan Property Management Corp	44,719	38,095

The College provided courses in conjunction with the Saskatchewan Institute of Applied Science and Technology (SIAST). During the year the College expended \$521,915 (1997, \$452,033) for courses provided by SIAST. As at year end, \$ 405 was payable to SIAST (1997, nil).

During the year, the College provided courses in conjunction with the Universities of Saskatchewan and Regina. Transactions during the year were as follows:

University of Saskatchewan	<u>1998</u>	<u>1997</u>
Revenue	\$ 65,664	\$ 78,882
Expenses	124,571	150,439
University of Regina		
Revenue	\$ 17,111	\$ 17,464
Expenses	29,113	23,293

During the year the College entered into a contract with the Saskatchewan Communications Network (SCN) to deliver various training and educational programs. The College received \$96,000 during the year from SCN for these programs (1997, \$ 95,238).

NORTH WEST REGIONAL COLLEGE**Notes to Financial Statements****June 30, 1998****11. Pensions**

Employees of the college participate in one of the three pension plans. Teacher's and other employees holding a teaching certificate participate in a defined benefit plan; either the Teacher's Superannuation Plan (TSP) which is administered by the Teachers' Superannuation Commission or the Saskatchewan Teachers' Retirement Plan (STRP) which is administered by the Saskatchewan Teachers' Federation. The college has no financial obligation to TSP or STRP. Eligible employees contribute to TSP and STRP for their current service. The General Revenue Fund is responsible for the required employer contribution of the STRP and for the financial obligations of the TSP. All other employees participate through Municipal Employees' Pension Plan (MEPP) which is also a multi-employer defined plan. The last actuarial valuation of the MEPP indicated there was a surplus in the plan. The college's financial obligation to the MEPP is limited to making required payments to match amounts contributed by employees for current services. Pension expense for the year amounted to \$71,434. (1997 - \$63,431).

12. Joint-Use Facility Project

North West Regional College and North Battleford School Division No. 118 have reached a tentative agreement whereby the College will take over a portion of the North Battleford Comprehensive High School. In the tentative agreement, the School Division will hold title to the property, with the College's identified portion being held "in trust" for the College. The tentative agreement calls for the College to provide \$300,000 to the school board for the property which will be transferred to the College. The College has set aside resources for this purpose in the Capital Fund.

13. Budget

The budgeted figures reported in the Statement of Operations are obtained from the annual budget approved by the board and included in the annual budget review document submitted to and approved by the Department of Post-Secondary Education and Skills Training. The budget was approved by the Regional College Board on June 16, 1997 and by the Minister of Saskatchewan Post-Secondary Education and Skills Training on May 22, 1998.

14. Financial Instruments

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing and certainty of future cash flows.

The majority of the College's receivables are from Post-Secondary Education and Skills Training. Therefore the credit risk is minimal.

The carrying amount of accounts receivable, accounts payable, accrued liabilities and accrued holiday pay approximate fair market value due to their immediate or short-term nature.

NORTH WEST REGIONAL COLLEGE**Notes to Financial Statements****June 30, 1998****15. Uncertainty due to the Year 2000 Issue**

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or something other than a date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before,

on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the college, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

The College has a Y2K strategic plan which sets out an active plan to address all identified Y2K issues by June 30, 1999.

16. Change in Accounting Policy

During the year, the College retroactively changed its accounting policy to reflect the new accounting principles and requirements for financial statement presentation applicable to not-for-profit organizations issued by the Canadian Institute of Chartered Accountants. Comparative amounts provided for the prior year have been restated accordingly.

The change in accounting policy and its effects on the financial statements is summarized as follows:

Capital assets and amortization

Capital assets are capitalized and amortized (depreciated) over their expected useful lives. In prior years, the full cost of capital assets was recorded as an expenditure in the year of acquisition. In addition the capital asset was recorded and carried at cost within the capital fund until disposition, destruction or retirement. As a result of the change:

	<u>1998</u>	<u>1997</u>
Net Book Value of Capital Assets (decrease)	\$ (770,594)	\$ (668,621)
Equity in Capital Assets (decrease)	(770,594)	(668,621)
Fund Balance Invested in Capital Assets (decrease)	(770,594)	(668,621)
Amortization of Capital Assets (increase)	101,974	98,154
Expenditure on capital assets (decrease)	(98,583)	(78,413)
Excess of Revenue over Expenditure -		
Increase (Decrease)	3,391	(19,741)

NORTH WEST REGIONAL COLLEGE**Notes to Financial Statements****June 30, 1998****17. Provincial Training Allowance Program**

During the year the College made an agreement with Saskatchewan Post-Secondary Education and Skills Training (the Department) to pay training allowances for the Department. The Department is responsible for approving all payments made per the agreement. All money received for this program from the Department is property of the Department until the College pays eligible applicants.

Since the money spent on the programs is the Department's responsibility, these transactions are not reflected in the College's financial statements.

During the year, the College paid \$ 1,160,900 in training allowances to 200 eligible applicants. At year end, the Department owed the College \$ 137,403 for allowances paid to eligible applicants but not reimbursed. (The College held no money in trust for the Department.)

NORTH WEST REGIONAL COLLEGE

Operating Fund
Schedule of Revenue by Function
for the year ended June 30, 1998

	General Administration	1998				Schedule 1 ---1997--- (Note 16)			
		-----Programming-----				-----Support Services-----			
		Individual Development	Community Basic Education	Adult Vocational Technical	University	Career Services	Student Services	Total	Total
Post-Secondary Education and									
Skills Training	\$ 12,940			\$ 1,736				\$ 14,676	\$ 4,121
Administrative recovery	699,803			559,623	\$ 132,660	\$ 51,606		699,803	712,283
Flat grant	149,837	\$ 743	\$ 800,386	24,178	1,046	14,950		1,694,855	1,716,657
Program payments	64,798		104,375					209,347	252,402
Other									
	927,378	743	904,761	585,537	133,706	66,556		2,618,681	2,685,463
Federal government									
Program payments		\$ 143,572	75,683	425,268				644,523	545,539
Other									
Contracts	51,882	82,652	260,623	45,888	44,118	63,023		548,186	348,209
Interest and dividends	51,539							51,539	28,441
Rents	171	3,092		3,145	1,935			5,198	2,087
Retail items		9,023	1,710	225,729	110		\$ 76,108	90,095	104,013
Tuition fees		169,282	1,801	3,022	82,775	330		479,917	464,884
Other	129,377	13,661	1,475		922			148,458	127,616
	232,969	277,710	265,609	277,784	129,860	63,353	76,108	1,323,393	1,075,250
TOTAL REVENUE	\$ 1,160,347	\$ 422,025	\$ 1,246,053	\$ 1,288,589	\$ 263,566	\$ 129,909	\$ 76,108	\$ 4,586,597	\$ 4,306,252
TOTAL EXPENSES (Schedule 2)	1,230,971	384,208	1,026,012	1,149,268	205,914	248,227	71,248	4,315,848	3,975,473
Excess/(Deficiency) of Revenue over Expenditures	\$ (70,624)	\$ 37,817	\$ 220,041	\$ 139,321	\$ 57,652	\$ (118,318)	\$ 4,860	\$ 270,749	\$ 330,779

See Accompanying Notes

Downie Johnson Svenkeson

NORTH WEST REGIONAL COLLEGE

Operating Fund
Schedule of Operating Expenses
for the year ended June 30, 1998

Schedule 3

	<u>1998</u>	<u>1997</u>
Advertising	\$ 88,545	\$ 48,412
Association fees and dues	9,020	5,778
Bad debts	622	25
Bank charges and interest	1,176	1,031
Computer software	22,589	8,882
Equipment	19,806	29,139
Goods and services tax	53,109	36,685
In-service training	32,440	49,486
Insurance	8,104	7,578
Licenses and taxes	13,755	11,718
Materials and supplies	105,205	110,278
Postage, freight and courier	16,590	16,646
Printing and duplicating	35,918	36,064
Resale items	89,763	110,070
Subscriptions	2,313	1,512
Telephone	57,300	51,122
Training allowances	(1,389)	276,477
Travel	104,564	89,609
Utilities	27,916	24,160
Other	<u>75,624</u>	<u>65,860</u>
	\$ 762,970	\$ 980,532
	<u><u> </u></u>	<u><u> </u></u>

See Accompanying Notes

Downie Johnson Svenkeson

NORTH WEST REGIONAL COLLEGE**Schedule of Reserve Transactions**
for the year ended June 30, 1998**Schedule 4**

	<u>Balance</u> <u>Beginning</u> <u>of Year</u>	<u>Appropriation</u> <u>(from)to</u> <u>Reserve</u>	<u>Balance</u> <u>End of</u> <u>Year</u>
OPERATING FUND			
Reserve for accounting system	\$ 37,566		\$ 37,566
Reserve for class plan	57,200	\$ 17,000	74,200
Reserve for collective agreement	33,700	(32,700)	1,000
Reserve for joint-use relocation	10,000	10,000	20,000
Reserve for STS initiatives	30,000	(20,000)	10,000
Reserve fir severance	6,150		6,150
Reserve for unbudgeted	20,761	474	21,235
Total Operating Fund	\$ 195,377	\$ (25,226)	\$ 170,151
CAPITAL FUND			
Unspecified		\$ 3,392	\$ 3,392
Reserves for Meadow Lake	\$ 16,687	25,000	41,687
Reserve for Y2K fixes		4,000	4,000
Reserve for additional computer lab		40,000	40,000
Upgrade computer equipment	114,000		114,000
Reserve for F/E Replacement - general	76,000		76,000
Reserve for F/E Replacement - joint - use	30,000		30,000
Reserve for potential contribution to N.B. facilities		125,000	125,000
Reserve for NB facilities	323,250		323,250
Total Capital Fund	\$ 559,937	\$ 197,392	\$ 757,329

See Accompanying Notes

H.C. AGNEW, B.Comm. C.A.
G.J.E. REID, C.A.
D.R. ULMER, B.Comm. C.A.
G.L. BUSCH, B.Comm. C.A.
G.H. JAHN, B.Comm. C.A.
L.A. COOPER, B.Comm. C.A.



Woodhouse • Tucker & Partners

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To: The Directors of Northlands College

We have audited the statement of financial position of Northlands College as at June 30, 1998 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The financial statements as at June 30, 1997 and for the year then ended were audited by another auditor who expressed an opinion without reservation on those statements in his report dated August 27, 1997.

Prince Albert, Saskatchewan
August 26, 1998

WOODHOUSE, TUCKER & PARTNERS
Chartered Accountants

PER:

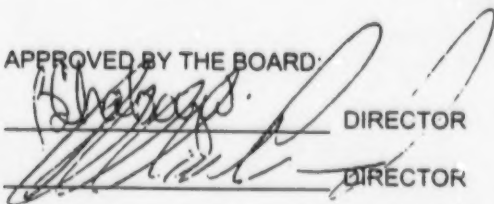
Larry Cooper

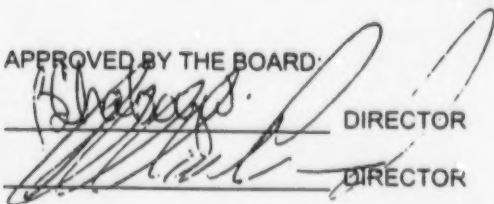
NORTHLANDS COLLEGE
STATEMENT OF FINANCIAL POSITION
June 30, 1998

STATEMENT 1.

	<u>1998</u>			<u>1997</u>
	<u>Operating fund</u>	<u>Capital fund</u>	<u>Total</u>	(Note 14) <u>Total</u>
ASSETS				
Current				
Cash	\$ 1,907,759	\$ ----	\$ 1,907,759	\$ 1,319,530
Accounts receivable (note 3)	491,230	----	491,230	630,498
Prepaid expense	31,891	----	31,891	32,203
	<u>2,430,880</u>	<u>----</u>	<u>2,430,880</u>	<u>1,982,231</u>
Capital assets (note 4)	<u>----</u>	<u>2,786,714</u>	<u>2,786,714</u>	<u>2,973,482</u>
	<u>\$ 2,430,880</u>	<u>\$ 2,786,714</u>	<u>\$ 5,217,594</u>	<u>\$ 4,955,713</u>
LIABILITIES				
Current				
Accounts payable (note 5)	\$ 169,297	\$ ----	\$ 169,297	\$ 501,990
Accrued salaries and vacation payable	359,975	----	359,975	292,372
Deferred revenue (note 6)	1,296,977	----	1,296,977	622,542
	<u>1,826,249</u>	<u>----</u>	<u>1,826,249</u>	<u>1,416,904</u>
EQUITY				
Fund balances				
Invested in capital assets	----	2,786,714	2,786,714	2,973,482
Internally restricted as reserves (note 7)	457,745	----	457,745	252,745
Unrestricted	146,886	----	146,886	312,582
	<u>604,631</u>	<u>2,786,714</u>	<u>3,391,345</u>	<u>3,538,809</u>
	<u>\$ 2,430,880</u>	<u>\$ 2,786,714</u>	<u>\$ 5,217,594</u>	<u>\$ 4,955,713</u>

APPROVED BY THE BOARD:

 DIRECTOR

 DIRECTOR

See accompanying notes.

STATEMENT 2.

NORTHLANDS COLLEGE
STATEMENT OF OPERATIONS
 Year ended June 30, 1998

	Operating Fund		Capital Fund		Total
	(Note 9) Budget	1998	(Note 14) 1997	1998	(Note 14) 1997
Revenues (schedule 1)					
Saskatchewan Post					
Secondary Education					
and Skills Training					
Federal Government	\$ 5,788,468	\$ 6,641,617	\$ 5,818,965	\$ ----	\$ 6,641,617
Other revenue	1,063,815	712,626	857,283	----	712,626
	1,409,994	1,588,117	1,868,086	6,999	1,595,116
Total revenues	8,262,277	8,942,360	8,544,334	6,999	8,949,359
Expenses (schedule 2)					
Contractual and professional					
services	1,887,219	2,679,353	2,186,019	----	2,679,353
Rentals	520,798	503,609	500,823	----	503,609
Repairs and maintenance	198,050	235,479	181,123	----	235,479
Amortization	----	----	----	254,179	372,317
Operating expense	1,210,700	1,389,458	1,308,238	----	1,389,458
(schedule 3)	4,432,251	4,034,745	4,064,407	----	4,034,745
Personal services					
Total expenses	8,249,018	8,842,644	8,240,610	254,179	9,096,823
Excess (deficiency) of					
revenues over expenses	\$ 13,259	\$ 99,716	\$ 303,724	\$ (247,180)	\$ (147,464)
					\$ (68,593)

See accompanying notes

NORTHLANDS COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
Year ended June 30, 1998

STATEMENT 3.

	<u>Invested in capital assets</u>	<u>Internally restricted as reserves</u>	<u>Unrestricted</u>	<u>1998</u>	<u>(Note 14) 1997</u>
Fund balances, beginning of year as restated (note 14)	\$ 2,973,482	\$ 252,745	\$ 312,582	\$ 3,538,809	\$ 3,607,402
Excess (deficiency) of revenues over expenses	(247,180)	----	99,716	(147,464)	(68,593)
Investment in capital assets	60,412	----	(60,412)	----	----
Appropriated to reserves	----	205,000	(205,000)	----	----
Fund balance, end of year	<u>\$ 2,786,714</u>	<u>\$ 457,745</u>	<u>\$ 146,886</u>	<u>\$ 3,391,345</u>	<u>\$ 3,538,809</u>

See accompanying notes.

STATEMENT 4.

NORTHLANDS COLLEGE
STATEMENT OF CASH FLOW
Year ended June 30, 1998

	Operating fund		Capital fund		Total
	1998	(Note 14) 1997	1998	(Note 14) 1997	1998
Cash Provided by (used in) Operating activities					
Excess (deficiency) of revenues over expenses	\$ 99,716	\$ 303,724	\$ (247,180)	\$ (372,317)	\$ (147,464)
Changes in non-cash working capital					
Accounts receivable	139,268	535,157	----	----	139,268
Prepaid expense	312	(654)	----	----	312
Payables	(265,090)	(512,139)	----	----	(265,090)
Deferred revenue	674,435	103,306	----	----	674,435
	648,641	429,394	(247,180)	(372,317)	401,461
Investing activities					
Purchase of capital assets	----	----	(69,686)	(323,319)	(69,686)
Proceeds on disposal of capital assets	----	----	9,274	----	9,274
	----	----	(60,412)	(323,319)	(60,412)
Financing activities					
Non-cash charges against revenue					
-amortization of capital assets	----	----	254,179	372,317	254,179
-gain on disposal of capital assets	----	----	(6,999)	----	(6,999)
	----	----	247,180	372,317	247,180
Net increase (decrease) during year	648,641	429,394	(60,412)	(323,319)	588,229
Interfund transfers	(60,412)	(323,319)	60,412	323,319	----
Cash, beginning of year	1,319,530	1,213,455	----	----	1,319,530
Cash, end of year	\$ 1,907,759	\$ 1,319,530	\$ ----	\$ ----	\$ 1,907,759
					\$ (68,593)

See accompanying notes.

NORTHLANDS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

1. Purpose and authority

Northlands College offers educational services and programs under the authority of Section 14 of The Regional Colleges Act.

The Board of Northlands College is responsible for administering and managing the educational affairs of the College in accordance with the intent of The Regional Colleges Act and its regulations.

2. Significant accounting policies

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant policies:

a) Fund accounting

The accounts of Northlands College are maintained in accordance with the principles of fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funding groups:

i) Operating fund

The operating fund consists of those revenues and expenses relating to the general operations of the College.

ii) Capital fund

The capital fund reflects the equity of the College in capital assets after taking into consideration any associated long term debt. The capital fund consists of transfers and donations designated for capital purposes by the contributor, net of the annual amortization expense.

b) Revenue recognition

The College follows the restricted fund method of accounting for grants. Restricted transfers related to general operations are recognized as revenue of the operating fund in the year in which the related expenses are incurred. Transfers restricted for capital assets are recognized as revenue of the capital fund when received or receivable.

Unrestricted operating transfers are recognized as revenue of the operating fund when received or receivable. Tuition and fee revenue is recognized as the course instruction is delivered. Revenue from contractual services is recognized as the service is delivered.

NORTHLANDS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

2. Significant accounting policies (continued)

c) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is charged on a straight-line basis over the estimated useful lives of the assets at the following rates, and is reported as an expense in the capital fund:

Buildings and trailers	5% to 10%
Leasehold improvements	6.67%
Equipment, furniture and fixtures	10% to 33%

3. Accounts receivable

Accounts receivable are composed of the following:

	1998	1997
Saskatchewan Post-Secondary Education and Skills Training	\$ 152,782	\$ 213,920
Government of Saskatchewan - Other	37,604	—
Federal Government	62,571	54,350
Other	238,273	362,228
	<u>\$ 491,230</u>	<u>\$ 630,498</u>

4. Capital assets

	1998		1997	
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 12,003	\$ —	\$ 12,003	\$ 12,003
Buildings and trailers	3,648,422	1,109,144	2,539,278	2,725,081
Leasehold improvements	124,972	24,994	99,978	108,309
Equipment, furniture and fixtures	552,376	416,921	135,455	128,089
	<u>\$ 4,337,773</u>	<u>\$ 1,551,059</u>	<u>\$ 2,786,714</u>	<u>\$ 2,973,482</u>

NORTHLANDS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 1998

5. Accounts payable

Accounts payable are composed of the following:

	<u>1998</u>	<u>1997</u>
Saskatchewan Post-Secondary Education and Skills Training	\$ 16,840	\$ 347,295
Government of Saskatchewan - other	12,122	14,900
Federal government	49,922	4,246
Other	90,413	135,549
	<u>\$ 169,297</u>	<u>\$ 501,990</u>

6. Deferred revenue

Deferred revenue consists of transfers received to carry out specific activities in excess of the expenses incurred on those activities at the end of the fiscal year as follows:

	<u>1998</u>	<u>1997</u>
Saskatchewan Post-Secondary Education and Skills Training	\$ 1,048,049	\$ 337,627
Federal Government	248,928	167,826
Other	—	117,089
	<u>\$ 1,296,977</u>	<u>\$ 622,542</u>

7. Restrictions on net assets

The Board of Directors of Northlands College has placed internal restrictions on \$457,745. (1997 - \$252,745) of unrestricted net assets to be used for future expenditures. These internally restricted amounts are not available for other purposes without approval of the Board of Directors. A separate schedule details the internal restrictions and the individual amounts under each restriction.

NORTHLANDS COLLEGE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 1998

8. Commitments

The College is currently leasing certain land and buildings under leases which expire at various dates to May 1, 2024. Annual rentals under the leases for each of the next five years are as follows:

1999	-	\$57,390.
2000	-	\$57,390.
2001	-	\$11,985.
2002	-	\$ 150.
2003	-	\$ 150.

In addition, the College is currently leasing certain land and buildings under leases which are on a month to month basis at \$15,770 per month.

9. Budget amounts

The budget was prepared by College management with Board approval given on May 15, 1997. Ministerial approval was received May 22, 1998.

10. Related party transactions

Included in these financial statements are revenue and expense amounts resulting from routine transactions with related parties. These transactions are conducted at agreed rates with various Saskatchewan Crown-controlled departments, agencies and corporations with which the College is related by virtue of its economic interest with the Government of Saskatchewan.

Expenses for related party transactions during the year were as follows:

	1998	1997
Sask Tel	\$ 90,451	\$ 78,203
Sask Power	79,759	77,511
Saskatchewan Property Management Corporation	357,202	322,535
	<u>\$ 527,412</u>	<u>\$ 478,249</u>

Account balances from these transactions are included in the balance sheet and are settled on normal trade terms. Other transactions with related parties are disclosed elsewhere in these financial statements.

The College receives long distance telephone service between major centers from Sask Tel, a related party, at reduced rates available to government agencies.

The College brokers course programs from Saskatchewan Institute of Applied Science and Technology (SIAST) based on negotiated rates. The amount expended during the year amounted to \$811,223. As at year end, \$3,441. was receivable from and \$8,170. was payable to SIAST.

NORTHLANDS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Year ended June 30, 1998

11. Financial instruments

- a) The carrying amount of cash, accounts receivable, accounts payable and accrued salaries and vacation payable approximates fair value due to the short term maturity of these instruments. There are no significant terms or conditions related to these financial instruments that may affect the amount, timing, or certainty of future cash flows.
- b) The College is exposed to credit risk from the potential non-payment of accounts receivable. The majority of the College's receivables are from the provincial and federal government, therefore, credit risk is minimal.

12. Pensions

Employees of the College participate in one of three pension plans. Teachers and other employees holding a teaching certificate participate in a defined benefit plan, either the Teachers' Superannuation Plan (TSP) which is administered by the Teachers' Superannuation Commission or the Saskatchewan Teachers' Retirement Plan (STRP) which is administered by the Saskatchewan Teachers' Federation. The College has no financial obligation to TSP or STRP. Eligible employees contribute to TSP or STRP for their current service. No matching contribution is made by the Board. The General Revenue Fund is responsible for the financial obligations of the TSP and the STRP. All other employees participate through Municipal Employees' Pension Plan (MEPP) which is also a multi-employer defined plan. The last actuarial valuation of the MEPP indicated there was a surplus in the plan. The College's financial obligation to the MEPP is limited to making required payments to match amounts contributed by employees for current services. Pension expense for the year amounted to \$113,414. (1997 - \$107,669).

13. Comparative information

Certain 1997 balances have been reclassified to conform with the current year's presentation.

14. Change in accounting policy

During the year, the College retroactively changed its accounting policy to reflect the new accounting principles and requirements for financial statement presentation applicable to not-for-profit organizations issued by the Canadian Institute of Chartered Accountants. Comparative amounts provided for the prior year have been restated accordingly.

NORTHLANDS COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
Year ended June 30, 1998

14. Change in accounting policy (continued)

The change in accounting policy and its effect on the financial statements is summarized as follows:

Capital assets and amortization

Capital assets are capitalized and amortized over their expected useful lives. In prior years, the full cost of capital assets was recorded as an expenditure in the year of acquisition. In addition the capital asset was recorded and carried at cost within the capital fund until disposition, destruction or retirement. As a result of the change:

	<u>1998</u>	<u>1997</u>
Net book value of capital assets (decrease)		\$ (3,778,046)
Equity in capital assets (decrease)		(6,751,528)
Fund Balance invested in capital assets (increase)		2,973,482
Expenditures on capital assets (decrease)	\$ (69,686)	(323,319)
Amortization of capital assets (increase)	254,179	372,317
Excess of revenue over expense (decrease)	(184,493)	(48,998)

15. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the College, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

16. Provincial Training Allowance Program

During the year the College made an agreement with Saskatchewan Post-Secondary Education and Skills Training (the Department) to pay training allowances for the Department. The Department is responsible for approving all payments made per the agreement. All money received for this program from the Department is property of the Department until the College pays eligible applicants.

Since the money spent on the program and advances on hand at year end are the Department's responsibility, these transactions are not reflected in the College's financial statements.

During the year, the College paid \$1,780,546 in training allowances to 182 eligible applicants. At the year end, the College held \$275,949 in trust for the Department.

SCHEDULE 1.

NORTHLANDS COLLEGE
SCHEDULE OF OPERATING FUND REVENUES BY FUNCTION
 Year ended June 30, 1998

	Programming					Support Services	
	Administration	Community and Individual Development	Adult Basic Education	Vocational Technical	University Credit	Student Services	
	General Revenue						1997 Total
Saskatchewan Post-Secondary Education and Skills Training							
Administration recovery	\$ 585,726	\$	\$	\$	\$	\$	\$ 497,205
Base grant	1,244,400						1,244,400
Program payments		310,607	1,169,984	1,910,239	148,654	534,069	3,455,983
Other		5,000	372,356	192,340		168,242	621,377
	1,830,126	315,607	1,542,340	2,102,579	148,654	702,311	5,818,965
Federal Government							
Administration recovery	73,583						73,583
Program payments			87,111	410,517	45	100	561,242
Other			84,909	56,261			201,557
	73,583		172,020	466,878	45	100	857,283
Other							
Administrative recovery	79,740	3,031	185,974	334,701		43,861	884,893
Interest and dividends	90,111						91,450
Rent	72,588		11,963	2,533		98,488	153,977
Resale items		16	936	30,432	6,574	1,451	49,254
Tuition		18,267	2,150	108,625	3,870	5,718	161,786
Other	456,655		563	451	1,561	27,858	526,726
	699,094	21,314	201,506	476,742	12,005	177,376	1,868,086
Total revenue	2,602,803	336,921	1,915,946	3,046,199	160,704	879,787	8,544,334
Total expense (schedule 2)	2,529,738	317,540	1,960,267	3,007,707	160,704	866,688	8,240,610
Excess (deficiency) of revenue over expenses	\$ 73,065	\$ 19,381	\$ (44,321)	\$ 36,492	\$	\$ 13,099	\$ 303,724

Total expense (schedule 2)

Excess (deficiency) of revenue over expenses

SCHEDULE 2.

NORTHLANDS COLLEGE
SCHEDULE OF OPERATING FUND EXPENSES BY FUNCTION
Year ended June 30, 1998

	General Administration			Programming				Support Services		(Note 9) 1998 Budget	1998 Total	1997 Total
	Board	Administrative	Organizational	Community and Individual Development	Adult Basic Education	Vocational Technical	University Credit	Student Services				
Contractual and professional services	\$ 975	\$ 24,987	\$ 35,016	\$ 267,543	\$ 418,427	\$ 1,741,857	\$ 37,507	\$ 153,039	\$ 1,887,219	\$ 2,679,353	\$ 2,186,019	
Rentals	----	13,525	89,993	400	84,466	122,334	5,298	187,593	520,798	503,609	500,823	
Repairs & maintenance	----	60,529	59,609	675	23,166	59,688	1,820	29,992	196,050	235,479	181,123	
Operating (schedule 3)	59,160	189,908	256,854	41,778	285,504	392,252	19,715	144,287	1,210,700	1,389,458	1,308,238	
Personnel services	43,083	686,766	1,009,331	7,144	1,148,704	691,576	96,364	351,777	4,432,251	4,034,745	4,064,407	
	\$ 103,218	\$ 975,715	\$ 1,450,805	\$ 317,540	\$ 1,980,267	\$ 3,007,707	\$ 160,704	\$ 866,688	\$ 8,249,018	\$ 8,842,644	\$ 8,240,610	

NORTHLANDS COLLEGE
SCHEDULE OF OPERATING EXPENSES
Year ended June 30, 1998

SCHEDULE 3.

	<u>1998</u>	<u>1997</u>
Advertising	\$ 49,207	\$ 30,240
Association fees and dues	2,446	18,222
Bad debts	16,748	5,936
Bank charges and interest	199	931
Computer software	20,430	20,164
Conference and training fees	5,928	5,743
Insurance	49,502	47,985
Materials and supplies	346,687	332,411
Postage, freight and courier	27,039	19,218
Printing and duplicating	58,710	54,817
Resale items	37,046	59,228
Subscriptions	5,784	2,838
Telephone and fax	97,191	78,203
Travel	388,326	328,738
Utilities	239,198	259,768
Other	45,017	43,796
	<u>\$ 1,389,458</u>	<u>\$ 1,308,238</u>

SCHEDULE 4.

NORTHLANDS COLLEGE
SCHEDULE OF RESERVE TRANSACTIONS
Year ended June 30, 1998

	Balance beginning of year	Appropriations from unrestricted net assets	Balance end of year
Building fund	\$ 28,904	\$ —	\$ 28,904
Building maintenance fund	95,781	50,000	145,781
Computer fund	30,387	38,000	68,387
Mineral sector training fund	32,673	20,000	52,673
Employment equity fund	65,000	10,000	75,000
Training and education fund	—	87,000	87,000
	<u>\$ 252,745</u>	<u>\$ 205,000</u>	<u>\$ 457,745</u>

Skilnick Robertson Besler Miller & Co.
Chartered Accountants

PARKLAND REGIONAL COLLEGE

AUDITORS' REPORT

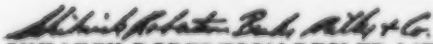
1998.

The Members of the Board
Parkland Regional College
MELVILLE, Saskatchewan

We have examined the statement of financial position of the Parkland Regional College as at June 30, 1998 and the statement of operations, statement of changes in fund balances and statement of cash flow for the year then ended. The college is responsible for preparing these financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 1998 and the results of its operations and changes in financial position for the year then ended in accordance with generally accepted accounting principles.


SKILNICK ROBERTSON BESLER MILLER & CO.
Chartered Accountants

Melville, Saskatchewan
July 31, 1998

PARKLAND REGIONAL COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 1998.

STATEMENT 1

	1998			1997
	<u>CAPITAL</u>	<u>OPERATING</u>	<u>TOTAL</u>	<u>TOTAL</u>
	<u>FUND</u>	<u>FUND</u>		(Note 15)
<u>ASSETS</u>				
<u>CURRENT ASSETS</u>				
Cash and temporary investments	\$ 120,000	\$ 508,711	\$ 628,711	\$153,290
Accounts receivable (Notes 3)		435,688	435,688	321,670
Prepaid expenses		4,670	4,670	15,714
Advance - Yorkton Regional High School (Note 11)		137,994	137,994	104,387
	<u>120,000</u>	<u>1,087,063</u>	<u>1,207,063</u>	<u>595,061</u>
<u>CAPITAL ASSETS</u> (Notes 4 & 15)	763,465		763,465	155,509
	<u>\$ 883,465</u>	<u>\$1,087,063</u>	<u>\$1,970,528</u>	<u>\$ 750,570</u>

LIABILITIES AND FUND BALANCE

<u>CURRENT LIABILITIES</u>				
Accounts payable and accrued liabilities (Note 5)	\$	\$ 68,118	\$ 68,118	\$ 68,680
Accrued holiday pay		34,210	34,210	45,330
Deferred revenue (Notes 2 & 6)		307,795	307,795	106,858
	<u>Nil</u>	<u>410,123</u>	<u>410,123</u>	<u>220,868</u>
<u>FUND BALANCES</u>				
Invested in capital assets (Note 15)	883,465		883,465	155,509
Unrestricted		676,940	676,940	374,193
	<u>883,465</u>	<u>676,940</u>	<u>1,560,405</u>	<u>529,702</u>
	<u>\$ 883,465</u>	<u>\$1,087,063</u>	<u>\$1,970,528</u>	<u>\$ 750,570</u>

Approved by the Board:

Deborah Kitchin Director
Shirley High Director

See Accompanying Notes

PARKLAND REGIONAL COLLEGE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 1998.

STATEMENT 2

	BUDGET 1998 (Note 7)	OPERATING 1998	1997	1998	CAPITAL 1997	1998	TOTAL 1997 (Notes 14 & 15)
REVENUES (Schedule 1)							
Saskatchewan Post-Secondary Education and Skills Training	\$3,682,692	\$2,487,505	\$2,509,145	\$ 307,255	\$	\$2,794,760	\$2,509,145
Federal Government	440,200	467,327	537,155			467,327	537,155
Other revenue	805,059	1,416,320	1,492,858	350,000		1,766,320	1,492,858
Total Revenues	<u>4,927,951</u>	<u>4,371,152</u>	<u>4,539,158</u>	<u>657,255</u>	<u>Nil</u>	<u>5,028,407</u>	<u>4,539,158</u>
EXPENSES (Schedule 2)							
Contractual and Professional Services	1,462,228	1,270,306	1,580,148			1,270,306	1,580,148
Rentals	194,361	179,433	173,019			179,433	173,019
Repairs and maintenance	26,100	31,738	32,023			31,738	32,023
Amortization				58,904	43,053	58,904	43,053
Operating expenses (Schedule 3)	585,595	441,443	552,526			441,443	552,526
Personal services	2,721,838	2,015,880	2,115,170			2,015,880	2,115,170
Total expenses	<u>4,990,122</u>	<u>3,938,800</u>	<u>4,452,886</u>	<u>58,904</u>	<u>43,053</u>	<u>3,997,704</u>	<u>4,495,939</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ (62,171)</u>	<u>\$ 432,352</u>	<u>\$ 86,272</u>	<u>\$ 598,351</u>	<u>\$ (43,053)</u>	<u>\$1,030,703</u>	<u>\$ 43,219</u>

See Accompanying Notes

PARKLAND REGIONAL COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 1998.

STATEMENT 3

	<u>INVESTED</u> <u>IN CAPITAL</u> <u>ASSETS</u>	<u>UNRESTRICTED</u>	<u>1998</u>	<u>1997</u> (Note 15)
Balance, beginning of year (Note 15)	\$ 155,509	\$ 374,193	\$ 529,702	\$ 486,483
Excess (deficiency) of revenue over expenses	598,351	432,352	1,030,703	43,219
Interfund transfers	129,605	(129,605)	Nil	Nil
	<u>\$ 883,465</u>	<u>\$ 676,940</u>	<u>\$1,560,405</u>	<u>\$ 529,702</u>

See Accompanying Notes

PARKLAND REGIONAL COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1998.

STATEMENT 4

	<u>1998</u>	<u>1997</u>
<u>CASH FROM OPERATING ACTIVITIES</u>		
Excess (deficiency) of revenue over expenses	\$ 432,352	\$ 86,272
Net change in non-cash working capital	52,674	55,593
	<u>485,026</u>	<u>141,865</u>
<u>INVESTING ACTIVITIES</u>		
Purchase of capital assets	<u>(666,860)</u>	<u>(42,155)</u>
<u>FINANCING ACTIVITIES</u>		
Capital contributions received	<u>657,255</u>	<u>Nil</u>
Increase (decrease) in cash during year	<u>475,421</u>	<u>99,710</u>
Cash and temporary investments at the beginning of the year	153,290	53,580
Cash and temporary investments at the end of the year	<u>\$ 628,711</u>	<u>\$ 153,290</u>

See Accompanying Notes

SCHEDULE 1

PARKLAND REGIONAL COLLEGE
SCHEDULE OF OPERATING FUND REVENUES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 1998.

	ADMINISTRATION		COMMUNITY & INDIVIDUAL DEVELOPMENT		PROGRAMMING		SUPPORT SERVICES			1997 (Notes 14 & 15)
	GENERAL REVENUE				BASIC EDUCATION	VOCATIONAL TECHNICAL	UNIVERSITY CREDIT	CAREER SERVICES	STUDENT SERVICES	
Post-Secondary Education and Skills Training		\$	\$	\$	\$	\$	\$	\$	\$	\$
	Admin Recovery	250,091								250,091
	Base Grant	768,444								768,444
	Outreach Fund	169,840								169,840
	Program Payments	20,000		556,342	670,948			51,840		1,299,130
Other									Nil	165,232
	<u>1,208,375</u>	<u>Nil</u>	<u>556,342</u>	<u>670,948</u>	<u>Nil</u>	<u>51,840</u>	<u>Nil</u>	<u>2,487,505</u>	<u>3,682,692</u>	<u>2,509,145</u>
Federal Government										
	Admin Recovery	73,882		88,819	94,557					73,882
	Seat Purchases				210,069					183,376
Projects									210,069	232,741
	<u>73,882</u>	<u>Nil</u>	<u>88,819</u>	<u>304,626</u>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>	<u>467,327</u>	<u>440,200</u>	<u>537,155</u>
Other										
	Admin Recovery	23,376		255,283	298,999					23,376
	Contracts	20,674	77,622							788,948
	Interest	31,780						102,875		253,595
	Rents	25,554								16,150
	Resale items	1,952	12,415	2,701	6,295					31,043
	Tuition		112,016	16,569	253,079	135,989				24,100
	Other									32,657
										618,579
										47,300
	<u>103,316</u>	<u>202,053</u>	<u>274,553</u>	<u>558,373</u>	<u>238,864</u>	<u>39,141</u>	<u>Nil</u>	<u>1,416,320</u>	<u>805,052</u>	<u>1,492,858</u>
TOTAL REVENUE	1,385,593	202,053	919,714	1,533,947	238,864	90,981	Nil	4,371,152	4,927,951	4,539,158
TOTAL EXPENSE (Schedule 2)	1,271,257	110,124	818,209	1,393,590	225,014	120,606	Nil	3,938,800	4,990,122	4,452,886
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	<u>\$ 114,336</u>	<u>\$ 91,929</u>	<u>\$ 101,505</u>	<u>\$ 140,357</u>	<u>\$ 13,850</u>	<u>\$ (29,625)</u>	<u>\$ Nil</u>	<u>\$ 432,352</u>	<u>\$ (62,171)</u>	<u>\$ 86,272</u>

See Accompanying Notes

SCHEDULE 2

PARKLAND REGIONAL COLLEGE
SCHEDULE OF OPERATING FUND EXPENSES BY FUNCTION
FOR THE YEAR ENDED JUNE 30, 1998

	GENERAL ADMINISTRATION			PROGRAMS				SUPPORT SERVICES			1997 (Notes 14 & 15)
	BOARD	ADMINIS- TRATIVE	ORGANIZ- ATIONAL	COMMUNITY & INDIVIDUAL DEVELOPMENT	BASIC EDUCATION	VOCATIONAL TECHNICAL	UNIVERSITY CREDIT	CAREER SERVICES	STUDENT SERVICES	1998 TOTAL	
Contractual and Professional Services	\$ 24,522	\$ 3,720	\$ 55,013	\$ 41,952	\$ 990,145	\$ 156,554	\$	\$	\$1,270,306	\$1,462,228	\$1,580,148
Rentals	88,090	40,773	8,767	4,940	35,899	956			179,433	194,361	173,019
Repairs and Maintenance	6,407	26,693		638					31,738	26,100	32,023
Operating (Schedule 3)	26,279	78,962	356,466	16,084	81,613	50,528	21,352	7,959	441,443	585,595	552,526
Personal Services	19,140	214,596	585,009	30,260	689,058	317,018	48,152	112,647	2,015,880	2,721,838	2,115,170
	<u>\$ 47,415</u>	<u>\$ 432,977</u>	<u>\$ 810,861</u>	<u>\$ 110,124</u>	<u>\$ 818,209</u>	<u>\$ 193,580</u>	<u>\$ 225,014</u>	<u>\$ 120,606</u>	<u>\$ NIL</u>	<u>\$3,930,800</u>	<u>\$4,452,886</u>

See Accompanying Notes

PARKLAND REGIONAL COLLEGE
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED JUNE 30, 1998.

SCHEDULE 3

	<u>1998</u>	<u>1997</u>
Advertising	\$ 26,392	\$ 23,592
Association fees and dues	6,801	4,689
Bank charges and interest	526	752
Minor equipment purchases	333	357
Conference and training fees	14,970	4,772
Insurance	12,573	11,533
Materials and supplies	124,061	130,404
Postage, freight and courier	21,947	18,747
Printing and duplicating	20,674	40,048
Subscriptions	907	538
Telephone and fax	55,255	37,570
Travel	98,749	85,037
Utilities	56,100	51,900
Non Status Indian Metis allowances	Nil	138,612
Other	2,155	3,975
Total	<u>\$ 441,443</u>	<u>\$ 552,526</u>

See Accompanying Notes

PARKLAND REGIONAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998.

1. PURPOSE AND AUTHORITY

The Parkland Regional College offers educational services and programs under the authority of Section 14 of The Regional Colleges Act.

The Board of the Parkland Regional College is responsible for administering and managing the educational affairs of the College in accordance with the intent of The Regional Colleges Act and its regulations.

The College's objectives are to promote the social, economic and cultural development of the Parkland region of Saskatchewan by facilitating learning options and participating in community groups.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant policies:

Fund Accounting

The accounts of the College are maintained in accordance with the principles of fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

Operating Fund

The operating fund consists of those revenues and expenses relating to the general operations of the College.

Capital Fund

The capital fund reflects the equity of the College in capital assets after taking into consideration any associated long term debt. The capital fund consists of transfers and donations designated for capital purposes by the contributor, net of the annual amortization expense.

Revenue recognition

The College follows the restricted fund method of accounting for grants. Restricted transfers related to general operations are recognized as revenue of the operating fund in the year in which the related expenses are incurred. Transfers restricted for capital assets are recognized as revenue of the capital fund in the year they are received.

Unrestricted operating transfers are recognized as revenue of the operating fund when received or receivable. Tuition and fee revenue is recognized as the course instruction is delivered. Revenue from contractual services is recognized as the service is delivered.

(Continued on next page)

PARKLAND REGIONAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998.

2. SIGNIFICANT ACCOUNTING POLICIES ... Continued

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is charged on a straight-line basis over the estimated useful lives of the assets at the following rates, and is reported as an expense in the capital fund:

Leasehold improvements	5% to 20%
Buildings	5%
Office furnishing/equipment	10% to 20%
Computer hardware	33%

During the year the College received from the Potashville School Division a school and land valued at \$350,000.

Inventories

Inventories are recorded at the lower of cost and net realizable value.

3. ACCOUNTS RECEIVABLE

Accounts receivable are composed of the following:

	<u>1998</u>	<u>1997</u>
Saskatchewan Post-Secondary Education and Skills Training	\$ 146,779	\$ 179,715
Government of Saskatchewan - Other	120,463	32,692
Federal government	44,706	74,126
Other	123,740	35,137
	<u>\$ 435,688</u>	<u>\$ 321,670</u>

4. CAPITAL ASSETS

	<u>COST</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>1998 NET BOOK VALUE</u>	<u>1997 NET BOOK VALUE</u>
Land	\$ 14,000	\$ Nil	\$ 14,000	\$ Nil
Leasehold improvements	354,038	119,326	234,712	87,186
Buildings	359,715	18,721	340,994	1,549
Office furnishings/ equipment	163,600	98,526	65,074	47,328
Computer hardware	363,540	254,855	108,685	19,446
	<u>\$1,254,893</u>	<u>\$ 491,428</u>	<u>\$ 763,465</u>	<u>\$ 155,509</u>

5. ACCOUNTS PAYABLE

Accounts payable are composed of the following:

	<u>1998</u>	<u>1997</u>
Government of Saskatchewan - Other	\$ 5,423	\$ 26,696
Federal government	15,493	2,947
Other	47,202	39,037
	<u>\$ 68,118</u>	<u>\$ 68,680</u>

(Continued on next page)

PARKLAND REGIONAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998.

6. DEFERRED REVENUE

Deferred revenue consists of transfers received to carry out specific activities in excess of the expenses incurred on those activities at the end of the fiscal year as follows:

	<u>1998</u>	<u>1997</u>
Saskatchewan Post-Secondary Education and Skills Training	\$ 268,330	\$ 6,824
Government of Saskatchewan - other	Nil	43,298
Federal government	28,458	45,651
Student tuitions	11,007	11,085
	<u>\$ 307,795</u>	<u>\$ 106,858</u>

7. BUDGET AMOUNTS

The budget was prepared by regional college management with Board approval given on June 16, 1997. Ministerial approval was received May 20, 1998.

8. RELATED PARTY TRANSACTIONS

Included in these financial statements are revenue and expense amounts resulting from routine transactions with related parties. These transactions are conducted at prevailing market prices, except for transactions with Sask Property Management Corporation which are conducted at the standard rates charged by the corporation. These various Saskatchewan Crown-controlled departments, agencies and corporations are related to the College by virtue of its economic interest with the Government of Saskatchewan.

Expenses for related party transactions during the year were as follows:

	<u>1998</u>	<u>1997</u>
Sask Tel expenses	\$ 61,531	\$ 38,882
Sask Power and Energy expenses	53,499	49,945
Sask Property Management expenses	24,670	29,001
	<u>\$ 139,700</u>	<u>\$ 117,828</u>

In addition, the College pays Provincial Sales Tax to the Saskatchewan Department of Finance on all taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

The College delivers various training and educational programs with funding provided by Government organizations. During the year the college earned funding from the following:

	<u>1998</u>	<u>1997</u>
New Careers Corporation	\$ 81,213	\$ 294,512
SIASST	36,164	274,498
Saskatchewan Communications Network	102,875	96,929
Saskatchewan Workers' Compensation Board	Nil	2,448

(Continued on next page)

PARKLAND REGIONAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998.

8. RELATED PARTY TRANSACTIONS ... Continued

The College brokerages course programs from SIAST. The amount incurred during the year amounted to \$399,583 (1997 - \$531,560).

The College brokerages course programs from the University of Saskatchewan. The amount incurred during the year amounted to \$121,755 (1997 - \$194,618).

Account balances from these transactions are included in the statement of financial position and are settled on normal trade terms. Other transactions with related parties are disclosed elsewhere in these financial statements.

9. FINANCIAL INSTRUMENTS

(a) The carrying amount of cash and temporary investments, accounts receivable, accounts payable and accrued liabilities and accrued holiday pay approximates fair value due to the short term maturity of these instruments. There are no significant terms or conditions related to these financial instruments that may affect the amount, timing, or certainty of future cash flows.

(b) The College is exposed to credit risk from the potential non-payment of accounts receivable. The majority of the College's receivables are from the provincial and federal government, therefore, credit risk is minimal.

10. PENSIONS

Employees of the college participate in one of two pension plans. Teachers and other employees holding a teaching certificate participate in a defined benefit plan, the Teachers' Superannuation Plan (TSP) which is administered by the Teachers' Superannuation Commission. The college has no financial obligation to TSP. Eligible employees contribute to TSP for their current service. No matching contribution is made by the Board. The General Revenue Fund is responsible for the financial obligations of the TSP. All other employees participate through Municipal Employees' Pension Plan (MEPP) which is also a multi-employer defined benefit plan. The last actuarial valuation of the MEPP indicated there was a surplus in the plan. The college's financial obligation to the MEPP is limited to making required payments to match amounts contributed by employees for current services. Pension expense for the year amounted to \$41,402 (1997 - \$40,865).

11. ADULT EDUCATION AGREEMENT - YORKTON REGIONAL HIGH SCHOOL

The College and Yorkton Regional High School are parties to an agreement covering the provision of adult education classes through the facilities of the school. Terms of the agreement provide that course program and administration is the responsibility of the school. Financial responsibility for the program offered is provided by the College supported by funding from Saskatchewan Post-Secondary Education & Skills Training. Under the terms of the agreement deficits are the responsibility of the College.

(Continued on next page)

PARKLAND REGIONAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998.

12. LINE OF CREDIT AGREEMENT

The College has an established line of credit up to \$200,000 with the Royal Bank of Canada, Melville, Saskatchewan. Security for advances under the agreement consists of an assignment of grant proceeds due from Saskatchewan Post-Secondary Education & Skills Training.

13. LEASE AGREEMENTS

The College is obligated under the following lease agreements.

Instructional Facilities

- Central School, Fort Qu'Appelle, Saskatchewan, under a ten year lease which expired May 31, 1998. The agreement covers use of the school building and grounds with annual rental at \$1. Terms provide for the College to pay annual operating costs and to be responsible for minor renovations. The agreement contains an option to renew at the end of the initial lease term.

- Simpson School, Yorkton, Saskatchewan. The transfer of building and property is presently being negotiated and is subject to Saskatchewan Post-Secondary Education and Skills Training approval.

Offices

- Administration office and classrooms in the Town and Country Mall, Melville, Saskatchewan, lease which expired August 31, 1997. Terms of the lease provide for monthly rental of approximately \$3,000 plus additional charges for shared common costs. The lease has been extended to August 31, 1998.

- Branch office and classrooms, Canora, Saskatchewan, located in the Senior Elementary School, under a two year lease which expired July 31, 1994 and was extended to June 30, 1998 under an informal agreement with the Town of Canora. Terms of the lease provide for annual rental of \$11,550.

Equipment

- Xerox Canada covering 6 photocopiers at various locations until March 26, 2003. Terms of the lease call for annual rental payments of \$20,212 plus tax.

- IBM Canada covering annual maintenance on computer equipment at approximately \$2,168 including taxes.

14. COMPARATIVE INFORMATION

Certain 1997 balances have been reclassified to conform with the current year's presentation.

(Continued on next page)

PARKLAND REGIONAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998.

15. CHANGE IN ACCOUNTING POLICY

During the year, the College retroactively changed its accounting policy to reflect the new accounting principles and requirements for financial statement presentation applicable to non-for-profit organizations issued by the Canadian Institute of Chartered Accountants. Comparative amounts provided for the prior year have been restated accordingly.

The change in accounting policy and its effect on the financial statements is summarized as follows:

Capital assets and amortization:

Capital assets are capitalized and amortized over their expected useful lives. In prior years, the full cost of capital assets was recorded as an expenditure in the year of acquisition. In addition the capital asset was recorded and carried at cost within the capital fund until disposition, destruction or retirement. As a result of the change the effect on the comparative figures is as follows:

Net book value of capital assets decreased	<u>\$ 588,582</u>
Fund balance invested in capital assets decreased	<u>\$ 588,582</u>
Expenditures on capital assets decreased	\$ 42,155
Amortization on capital assets increased	(43,053)
Excess of revenue over expense decreased	<u>\$ (898)</u>

16. PROVINCIAL TRAINING ALLOWANCE PROGRAM

During the year the College made an agreement with Saskatchewan Post-Secondary Education and Skills Training (the Department) to pay training allowances for the Department. The Department is responsible for approving all payments made per the agreement. All money received for this program from the Department is property of the Department until the College pays eligible applicants.

Since the money spent on the program and advances on hand at year end are the Department's responsibility, these transactions are not reflected in the College's financial statements.

During the year, the College paid \$968,119 in training allowances to 200 eligible applicants. At year end, the Department owed \$42,740 to the College for allowances paid to eligible applicants but not reimbursed.

17. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar

(Continued on next page)

PARKLAND REGIONAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1998.

17. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE ... Continued

problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

(Continued from previous page)

Gilchrist & Co.

CERTIFIED MANAGEMENT ACCOUNTANTS

AUDITOR'S REPORT

To the Members of the Board
of the Prairie West Regional College

We have audited the statement of financial position of the Prairie West Regional College as at June 30, 1998 and the statements of operations, changes in fund balances and changes in financial position for the year then ended. The College is responsible for preparing these financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Rosetown, Saskatchewan
September 11, 1998

Gilchrist & Co

Certified Management Accountant

PRAIRIE WEST REGIONAL COLLEGE
Statement of Financial Position
June 30, 1998

(Note 14)

	<u>1998</u>		<u>1997</u>	
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>	<u>Total</u>
Assets:				
Current assets:				
Cash	\$ 1,103,410	-	1,103,410	535,801
Accounts receivable (note 3)	250,856	-	250,856	249,439
Prepaid expense	33,979	-	33,979	22,410
	1,388,245	-	1,388,245	807,650
Capital assets (note 4)	-	307,600	307,600	241,404
	\$ 1,388,245	307,600	1,695,845	1,049,054
	=====	=====	=====	=====
Liabilities:				
Current liabilities:				
Accounts payable (note 5)	\$ 486,365	-	486,365	165,788
Accrued salaries and vacation payable	63,588	-	63,588	47,369
Deferred revenue (note 6)	322,232	-	322,232	170,814
	872,185	-	872,185	383,971
Fund Balances:				
Invested in capital assets	-	307,600	307,600	335,074
Externally restricted	-	-	-	-
Internally restricted as reserves (note 7)	205,000	-	205,000	205,000
Unrestricted	311,060	-	311,060	125,009
	\$ 1,388,245	307,600	1,695,845	1,049,054
	=====	=====	=====	=====

Board Approval: *Mayo J. Linby*

See accompanying notes to financial statements

PRAIRIE WEST REGIONAL COLLEGE

Statement of Operations

For the year ended June 30, 1998

	Operating		Capital		Total
	(Note 8)				(Note 14)
	Budget	1998	1997	1998	1997
Revenues (Schedule 1)					
Saskatchewan Post-Secondary					
Education and Skills Training	\$ 2,050,538	2,122,750	1,690,375	-	-
Federal Government	359,194	402,797	572,934	-	-
Other Revenue	512,412	594,427	532,352	-	-
Total revenues	2,922,144	2,119,974	2,795,661	-	-
Expenses (Schedule 2)					
Contractual and Professional Services	925,872	1,076,823	921,030	-	-
Rentals	251,887	222,425	236,027	-	-
Repairs and Maintenance	26,250	11,912	15,004	-	-
Amortisation	-	-	-	82,763	84,044
Operating Expenses (Schedule 3)	467,733	372,791	410,317	-	-
Personal Services	1,171,474	1,181,358	999,538	-	-
Loss on disposal of Fixed Assets	-	-	-	13,323	-
Total expenses	2,843,216	2,865,302	2,581,936	96,088	84,044
Excess (deficiency) of revenue over expenses	\$ 78,928	254,665	213,745	(96,088)	(84,044)

See accompanying notes to financial statements

PRAIRIE WEST REGIONAL COLLEGE

Statement of Changes in Fund Balance

For the year ended June 30, 1998

	Invested in Capital assets	Externally restricted assets	Internally restricted assets	Unrestricted	(Note 14)
				1998	1997
Balance at beginning of year	\$ 335,074	-	205,000	125,009	535,102
Excess (deficiency) of revenue over expenses	(96,088)	-	-	254,665	139,701
Appropriated to reserves	-	-	-	-	-
Interfund transfers	68,614	-	-	(59,614)	-
Balance at end of year	\$ 307,600	-	205,000	311,060	665,083

See accompanying notes to the financial statements

PRAIRIE WEST REGIONAL COLLEGE

Statement of Changes in Financial Position

For the year ended June 30, 1998

(Note 14)

	<u>1998</u>	<u>1997</u>
Cash from operating activities:		
Excess of revenue over expenses	\$ 158,577	129,701
Add:		
Amortization	82,763	84,044
Loss on sale of fixed assets	13,325	-
Net change in non-cash working capital	<u>475,228</u>	<u>292,062</u>
	<u>729,893</u>	<u>505,807</u>
Investing activities		
Purchase of capital assets	(185,774)	(46,635)
Proceeds from disposals of capital assets	<u>23,490</u>	<u>-</u>
	<u>(162,284)</u>	<u>(46,635)</u>
Increase in cash during year	567,609	459,172
Cash at beginning of year	<u>535,801</u>	<u>76,629</u>
Cash at end of year	\$ <u>1,103,410</u>	<u>535,801</u>
	=====	=====

See accompanying notes to financial statements

PRAIRIE WEST REGIONAL COLLEGE**Notes to Financial Statements****For the year ended June 30, 1998****1. Purpose and Authority**

The Prairie West Regional College offers educational services and programs under the authority of Section 14 of The Regional Colleges Act.

The Board of the Prairie West Regional College is responsible for administering and managing the educational affairs of the College in accordance with the intent of The Regional Colleges Act and its regulations.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant policies:

(a) Fund Accounting

The accounts of the college are maintained in accordance with the principles of fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

(1) Operating Fund

The operating fund consists of those revenues and expenses relating to the general operations of the College.

(2) Capital Fund

The capital fund reflects the equity of the College in capital assets after taking into consideration any associated long term debt. The capital fund consists of transfers and donations designated for capital purposes by the contributor, net of the annual amortization expense.

(b) Revenue recognition

The College follows the restricted fund method of accounting for grants. Restricted transfers related to general operations are recognized as revenue of the operating fund in the year in which the related expenses are incurred. Transfers restricted for capital assets are recognized as revenue of the capital fund when received or receivable.

PRAIRIE WEST REGIONAL COLLEGE**Notes to Financial Statements****For the year ended June 30, 1998**

Unrestricted operating transfers are recognized as revenue of the operating fund when received or receivable. Tuition and fee revenue is recognized as the course instruction is delivered. Revenue from contractual services is recognized as the service is delivered.

(c) Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is charged on a straight-line basis over the estimated useful lives of the assets at the following rates, and is reported as an expense in the capital fund:

Buildings	2.5% to 4%
Furniture and equipment	10% to 33%
Vehicles	10% to 20%

3. Accounts Receivable

Accounts receivable are composed of the following:

	<u>1998</u>	<u>1997</u>
Saskatchewan Post-Secondary		
Education and Skills Training	\$ 109,960	88,903
Government of Saskatchewan - other	1,345	-
Regional Colleges	15,484	25,604
S.I.A.S.T.	2,265	643
Other	<u>121,802</u>	<u>134,289</u>
	\$ 250,856	249,439
	=====	=====

PRAIRIE WEST REGIONAL COLLEGE**Notes to Financial Statements****For the year ended June 30, 1998****4. Capital Assets**

		<u>1998</u>		<u>1997</u>
		<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Land	\$	33,000	-	33,000
Buildings		181,910	70,856	111,054
Furnishings/equipment		<u>709,784</u>	<u>546,238</u>	<u>163,546</u>
	\$	<u>924,694</u>	<u>617,094</u>	<u>307,600</u>

5. Accounts Payable

Accounts payable are composed of the following:

	<u>1998</u>	<u>1997</u>
Saskatchewan Post-Secondary Education and Skills Training	\$ 46,499	-
Government of Saskatchewan - Other	22,148	16,511
S.I.A.S.T.	117,917	1,055
Regional Colleges	2,503	8,687
Federal government	52,517	-
Other	<u>244,781</u>	<u>139,535</u>
	\$ <u>486,365</u>	<u>165,788</u>

6. Deferred Revenue

Deferred revenue consists of transfers received to carry out specific activities in excess of the expenses incurred on those activities at the end of the fiscal year as follows:

	<u>1998</u>	<u>1997</u>
Saskatchewan Post-Secondary Education and Skills Training	\$ 316,779	128,650
Federal Government	4,010	18,094
Other	<u>1,443</u>	<u>24,070</u>
	\$ <u>322,232</u>	<u>170,814</u>

PRAIRIE WEST REGIONAL COLLEGE**Notes to Financial Statements****For the year ended June 30, 1998****7. Restrictions on Assets**

The Board of Directors of Prairie West Regional College has placed internal restrictions on \$205,000 (1997 - \$205,000) of unrestricted net assets to be used for future expenditures. These internally restricted amounts are not available for other purposes without approval of the Board of Directors. The following schedule details the internal restrictions and the individual amounts under each restriction:

(Note 14)

	<u>1998</u>	<u>1997</u>
Capital purchases	\$ 85,000	85,000
Education leave	45,000	45,000
Bargaining/Compensation	65,000	65,000
Special projects	<u>10,000</u>	<u>10,000</u>
	\$ 205,000	205,000
	=====	=====

- The Capital purchases reserve is to be used for the purchase and upgrading of facilities, computers and other capital items.
- The Education leave reserve is to be used for paid education leave.
- The Bargaining/Compensation reserve is to be used for the implementation of a classification plan and for salary adjustments for all employees.
- The Special projects reserve is to be used for program development and delivery where alternative funding sources are not available.

8. Budget Amounts

The budget was prepared by regional college management with Board approval given on November 20, 1997. Ministerial approval was received May 22, 1998.

PRAIRIE WEST REGIONAL COLLEGE**Notes to Financial Statements****For the year ended June 30, 1998****9. Related Party Transactions**

Included in these financial statements are revenue and expense amounts resulting from routine transactions with related parties. These transactions are conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which the College is related by virtue of its economic interest with the Government of Saskatchewan.

The College brokered the following course sessions during the year:

	<u>1998</u>	<u>1997</u>
S.I.A.S.T.	\$ 384,810	358,118
	<u> </u>	<u> </u>

Payments to other related parties include:

Sask. Communications Network	\$ 84,000	66,787
Sask. Tel.	53,142	52,500
Sask. Power & Sask. Energy	<u>23,005</u>	<u>28,028</u>
	\$ 160,147	147,315
	<u> </u>	<u> </u>

Account balances from these transactions are included in the balance sheet and are settled on normal trade terms. Other transactions with related parties are disclosed elsewhere in these financial statements.

10. Financial Instruments

- (a) The carrying amount of cash, accounts receivable, accounts payable and accrued salaries and vacation payable approximates fair value due to the short term maturity of these instruments. There are no significant terms or conditions related to these financial instruments that may affect the amount, timing, or certainty of future cash flows.
- (b) The College is exposed to credit risk from the potential non-payment of accounts receivable. The majority of the College's receivables are from the provincial and federal government, therefore, credit risk is minimal.

PRAIRIE WEST REGIONAL COLLEGE**Notes to Financial Statements****For the year ended June 30, 1998****11. Pensions**

Employees of the College participate in one of two pension plans. Teachers and other employees holding a teaching certificate participate in a defined benefit plan, the Teachers' Superannuation Plan (TSP) which is administered by the Teachers' Superannuation Commission. The College has no financial obligation to TSP. Eligible employees contribute to TSP for their current service. No matching contribution is made by the Board. The General Revenue Fund is responsible for the financial obligations of the TSP. All other employees participate through Municipal Employees' Pension Plan (MEPP) which is also a multi-employer defined benefit plan. The last actuarial valuation of the MEPP indicated there was a surplus in the plan. The college's financial obligation to the MEPP is limited to making required payments to match amounts contributed by employees for current services. Pension expense for the year amounted to \$33,486 (1997 - \$31,036).

12. Comparative Information

Certain 1997 balances have been reclassified to conform with the current year's presentation.

13. Provincial Training Allowance Program

During the year, the College made an agreement with Saskatchewan Post-Secondary Education and Skills Training (the Department) to pay training allowances for the Department. The Department is responsible for approving all payments made per the agreement. All money received for this program from the Department is property of the Department until the College pays eligible applicants.

Since the money spent on the program (and advances on hand at year end) is the Department's responsibility, these transactions are not reflected in the college's financial statements.

During the year, the College paid \$201,624 in training allowances to 65 eligible applicants. At year end, the Department owed the College \$94,175 for allowances paid to eligible applicants but not reimbursed, the College prepaid July allowances in the amount of \$18,793 and the College owed the Department \$46,499 for cash received in trust (\$45,000) and overpayments of allowances (\$1,499).

PRAIRIE WEST REGIONAL COLLEGE**Notes to Financial Statements****For the year ended June 30, 1998****14. Change in Accounting Policy**

Effective July 1, 1997, the College changed its accounting policy to reflect the new accounting principles and requirements for financial statement presentation applicable to not-for-profit organizations issued by the Canadian Institute of Chartered Accountants. This change in accounting policy has been applied retroactively.

The change in accounting policy and its effect on the financial statements is summarized as follows:

Capital assets and amortization

Capital assets are capitalized and amortized (depreciated) over their expected useful lives. In prior years, the full cost of capital assets was recorded as an expenditure in the year of acquisition. In addition, the capital asset was recorded and carried within the capital fund until disposition, destruction or retirement. As a result of the change:

	<u>1998</u>	<u>1997</u>
Net book value of		
capital assets-(decrease)	\$ -	(669,678)
Fund balance invested in		
capital assets-(decrease)	-	(669,678)
Expenditures on		
capital assets-(decrease)	(119,686)	(46,634)
Amortization of		
capital assets-increase	82,763	84,044
Excess of revenue		
over expense-increase(decrease)	\$ 36,923	(37,410)

15. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. The accounting system used by Prairie West Regional College is able to recognize the 2000 date when all four digits are entered and management feels, after testing, they are Year 2000 ready.

At this time, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the College, including those related to the efforts of customers, suppliers, or other third parties, will be resolved.

PRAIRIE WEST REGIONAL COLLEGE
Schedule of Operating Fund Revenues by Function
For the year ended June 30, 1998

Schedule 1

	Programming					Support Services		Totals	
	Administration	Community & Individual Development	Adult Basic Education	Vocational Technical	University Credit	Career Services	Student Services	1998 Budget	1997 (Note 14)
Post-Secondary Education and Skills training									
Admin. Recovery	\$ 60,720	-	15,750	19,750	-	-	-	96,220	137,426
Base Grant	621,712	-	-	-	-	-	-	621,712	629,299
Outreach Fund	-	-	33,087	-	106,893	28,050	-	168,030	168,030
Program payments	-	-	186,978	220,345	-	-	-	407,323	235,503
Other	156,911	-	-	615,749	-	56,803	-	829,463	534,751
	839,141	-	235,813	855,844	106,893	84,855	-	2,127,750	2,050,338
									1,690,373
Federal Government:									
Admin. Recovery	-	-	-	-	-	-	-	-	-
Seat Purchase	-	145	-	373,945	-	-	-	374,110	283,670
Projects	-	-	-	-	-	-	-	-	-
Other	-	28,687	-	-	-	-	-	28,687	47,137
	-	28,832	-	373,945	-	-	-	402,797	572,824
Other:									
Admin. Recovery	-	-	-	-	-	-	-	-	-
Contracts	25,232	126,261	16,218	1,500	-	-	-	169,211	124,647
Interest	33,558	-	-	-	-	-	-	33,558	15,223
Rents	3,051	415	-	-	-	-	-	3,466	3,368
Resale Items	15	42,575	1,150	21,049	3,807	195	-	68,791	72,203
Tuition	-	120,430	3,399	173,066	314	2,014	-	299,223	287,650
Other	19,078	400	-	700	-	-	-	20,178	25,232
	80,924	280,081	20,767	396,315	4,121	2,209	-	994,427	938,352
Total revenue	920,277	319,913	256,582	1,426,124	111,014	87,064	-	3,119,974	2,922,144
									2,795,661
Total expense (Schedule 2)	1,281,110	201,335	191,624	1,072,118	48,311	70,811	-	2,865,309	2,843,216
Excess (deficiency) of revenue over expense	\$ (360,833)	117,578	64,958	354,006	62,703	16,253	-	254,665	213,745

See accompanying notes to financial statements

PLAINIE WEST REGIONAL COLLEGE
Schedule of Operating Fund Expenses by Function
For the year ended June 30, 1998

Schedule 2

	General Administration			Programming			Support Services			Totals
	Board	Administrative	Organisational	Community & Individual Development	Adult Basic Education	Vocational Technical	University Credit	Career Services	Student Services	
Contractual and										
Professional services	\$ -	56,448	7,684	94,507	24,684	856,971	34,958	1,571	-	925,872
Rentals	994	25,100	95,473	17,182	17,749	60,161	3,880	1,686	-	251,887
Repairs and maintenance	-	2,957	8,244	128	-	583	-	-	-	26,250
Operating (Schedule 3)	10,765	76,381	93,615	65,204	10,836	101,224	9,473	5,393	-	467,733
Personal services	18,181	475,537	409,431	24,114	138,355	53,179	-	62,161	-	1,173,474
Total expenditures	\$ 30,140	636,123	614,647	201,135	191,624	1,072,118	48,311	70,811	-	2,843,216
										2,581,916

See accompanying notes to financial statements

PRAIRIE WEST REGIONAL COLLEGE**Schedule of Operating Expenditures****For the year ended June 30, 1998****Schedule 3****(Note 14)**

	<u>1998</u>	<u>1997</u>
Operating Expenses		
Advertising	\$ 20,186	18,017
Association Fees and Dues	6,900	3,411
Bad Debts	647	1,892
Bank Charges and Interest	1,094	1,385
Computer Software	6,513	434
Equipment Purchases (u. \$500)	28,207	40,462
Conference and Training fees	14,240	5,825
Insurance	8,451	8,718
Materials and Supplies	59,902	77,100
Postal, Freight and Courier	13,650	14,906
Printing and Duplicating	13,107	13,172
Resale Items	75,352	71,020
Subscriptions	728	541
Telephone and Fax	53,142	54,960
Travel	39,862	62,287
Utilities	23,005	28,028
Other	<u>7,805</u>	<u>8,159</u>
Total	\$ 372,791	410,317
	=====	=====



KPMG LLP
Chartered Accountants

AUDITORS' REPORT TO THE BOARD OF GOVERNORS

We have audited the statement of financial position of Saskatchewan Indian Regional College (Operating as the Saskatchewan Indian Institute of Technologies) as at June 30, 1998 and the statements of operations, changes in net assets and cash flows for the year then ended. The college is responsible for preparing these financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the college as at June 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Saskatoon, Saskatchewan

September 29, 1998



SASKATCHEWAN INDIAN REGIONAL COLLEGE

Statement of Financial Position

June 30, 1998, with comparative figures for 1997

	1998	1997 (restated)
Assets		
Current assets:		
Cash	\$ 855,197	\$ 1,124,925
Accounts receivable (note 5)	852,775	496,051
Prepaid expenses	50,366	48,170
	<u>1,758,338</u>	<u>1,669,146</u>
Capital assets (schedule 1)	1,082,315	779,431
	<u>\$ 2,840,653</u>	<u>\$ 2,448,577</u>

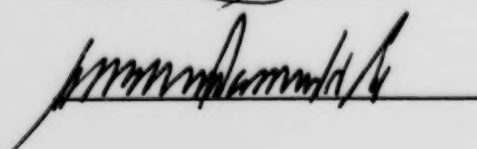
Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 6)	\$ 1,182,448	\$ 1,084,639
Deferred revenue (note 7)	386,577	350,003
Current portion of obligation under capital lease (note 8)	184,500	40,074
	<u>1,753,525</u>	<u>1,474,716</u>
Obligations under capital lease (note 8)	175,723	68,672
Deferred contributions (note 9)	38,400	-
Net assets:		
Net assets invested in capital assets (note 10)	683,692	670,685
Net assets internally restricted (note 11)	96,203	48,628
Unrestricted net assets	93,110	185,876
	<u>873,005</u>	<u>905,189</u>
Commitments (note 12)		
	<u>\$ 2,840,653</u>	<u>\$2,448,577</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director

 Director

SASKATCHEWAN INDIAN REGIONAL COLLEGE

Statement of Operations

Year ended June 30, 1998, with comparative figures for 1997

	1998	1997 (restated)
Revenue (schedule 2):		
Institutional programs and operations	\$ 6,517,264	\$ 6,212,346
Contract training	893,936	928,074
Contract projects	1,162,257	702,037
Other	34,543	20,631
	<u>8,608,000</u>	<u>7,863,088</u>
Expenditures (schedule 3):		
Institutional operations	1,070,783	1,003,536
Institutional programs	5,550,326	5,319,109
Contract training	900,540	937,620
Contract projects	1,118,535	612,674
	<u>8,640,184</u>	<u>7,872,939</u>
Deficiency of revenue over expenditures	<u>\$ (32,184)</u>	<u>\$ (9,851)</u>

See accompanying notes to financial statements.

SASKATCHEWAN INDIAN REGIONAL COLLEGE

Statement of Changes in Net Assets

Year ended June 30, 1998, with comparative figures for 1997

	Invested in capital assets	Internally Restricted	Unrestricted	1998 Total	1997 Total
Balance, beginning of year	\$ 670,685	\$ 48,628	\$ 185,876	\$ 905,189	\$ 915,040
Excess (deficiency) of revenue over expenditures	(369,330)	-	337,146	(32,184)	(9,851)
Internally imposed restrictions (note 11)		47,575	(47,575)	-	-
Investment in capital assets	382,337	-	(382,337)	-	-
Balance, end of year	\$ 683,692	\$ 96,203	\$ 93,110	\$ 873,005	\$ 905,189

See accompanying notes to financial statements.

SASKATCHEWAN INDIAN REGIONAL COLLEGE

Statement of Cash Flows

Year ended June 30, 1998, with comparative figures for 1997

	1998	1997 (restated)
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenditures	\$ (32,184)	\$ (9,851)
Items not involving cash:		
Amortization	378,930	212,823
Amortization of deferred contributions	(9,600)	-
Change in non-cash operating working capital:		
Accounts receivable	(356,724)	(38,376)
Prepaid expenses	(2,196)	(38,402)
Accounts payable and accrued liabilities	97,809	379,033
Deferred revenue	36,574	102,701
	112,609	607,928
Financing:		
Obligations under capital lease	251,477	108,746
Deferred contributions	48,000	-
	299,477	108,746
Investments:		
Purchase of capital assets	(253,205)	(84,460)
Acquisition of capital leases	(428,609)	(134,467)
	(681,814)	(218,927)
Increase (decrease) in cash	(269,728)	497,747
Cash, beginning of year	1,124,925	627,178
Cash, end of year	\$ 855,197	\$ 1,124,925

See accompanying notes to financial statements.

SASKATCHEWAN INDIAN REGIONAL COLLEGE

Notes to Financial Statements

Year ended June 30, 1998

1. Purpose of the organization:

The Saskatchewan Indian Regional College (the "College"), operating as the Saskatchewan Indian Institute of Technologies, provides academic and career education and training to First Nations adults in Saskatchewan. It is mandated under the Saskatchewan Indian Institute of Technologies Act of the Federation of Saskatchewan Indian Nations Legislative Assembly and the Regional Colleges Act of the Province of Saskatchewan.

2. Accounting principles and policies:

The college's financial statements have been prepared in accordance with generally accepted accounting principles and reflect the following significant policies:

(a) Revenue recognition:

The College follows the deferral method of accounting for revenue. Funding for operational and program expenditures of future periods are deferred and recognized as revenue in the year in which the related expenditure is incurred. Funding designated for capital assets and projects is deferred and recognized as revenue on the same basis as the acquired capital assets are amortized.

Revenue from contractual training and projects is recognized as the service is delivered. Revenue from tuition and fees is recognized as the course instruction is delivered.

(b) Capital assets and amortization:

Capital assets are recorded at cost. The net assets invested in capital assets represents the cumulative cost of assets, less accumulated amortization and financing.

Amortization is provided to charge the cost of capital assets to operations over their estimated useful lives and is calculated using the following methods and rates:

Assets (schedule 1)	Amortization method	Rate / Term
Automotive equipment	Declining balance	30%
Furniture and equipment	Declining balance	20%
Course equipment	Declining balance	20%
Leasehold improvements	Declining balance	20%
Computer software	Straight - line	2 years

SASKATCHEWAN INDIAN REGIONAL COLLEGE

Notes to Financial Statements - continued

Year ended June 30, 1998

3. Change in accounting policy:

The Canadian Institute of Chartered Accountants introduced new rules for accounting for capital assets for non-profit organizations effective for the current year.

In previous years, the College recorded additions to capital assets as an operating expenditure, and amortization of capital assets as a reduction of equity in capital assets.

The new rules require capital assets be recorded in the statement of financial position at cost, and that amortization be charged against operations as set out in note 2. The comparative figures for 1997 have been restated to reflect the retroactive application of these new rules. The effect of this change on the current year was to decrease expenditures by \$13,007 (1997- \$102,642 increase) and decrease deficiency of revenue over expenditures by \$13,007 (1997-\$102,642 increase). In addition, comparative figures for 1997 have been restated to increase asset under capital lease and obligations under capital lease by \$108,746.

4. Related party transactions:

The following are related parties of Saskatchewan Indian Regional College because they are First Nations entities:

- Federation of Saskatchewan Indians, Inc. ("FSIN")
- Saskatchewan Indian Training Assessment Group Inc. ("SITAG")
- Saskatchewan Indian Gaming Authority ("SIGA")
- Saskatchewan First Nations and Tribal Councils
- Saskatchewan Indian Cultural Centre ("SICC")

Saskatchewan Institute of Applied Science and Technology ("SIAST") and Sask Tel are related parties of Saskatchewan Indian Regional College as the members of the Board of Directors for each of the organizations are appointed by the Lieutenant Governor in Council for the Province of Saskatchewan.

Amounts payable to or receivable from related parties are separately disclosed in the financial statements. Other significant transactions with related parties during the year were primarily for program expenditures and class rental with total expenditures as follows:

	<u>1998</u>	<u>1997</u>
Saskatchewan First Nations and Tribal Councils	\$ 1,155,874	\$ 1,178,978
SIAST	910,882	808,870
FSIN	59,585	58,254

SASKATCHEWAN INDIAN REGIONAL COLLEGE

Notes to Financial Statements - continued

Year ended June 30, 1998

4. Related party transactions - continued:

Revenues received from related parties were primarily for program purchases and tuition with total revenue as follows:

	<u>1998</u>	<u>1997</u>
S ITAG	\$ 3,492,237	\$ 3,536,582
Saskatchewan First Nations and Tribal Councils	1,782,604	955,406
Sask Tel	315,265	274,879
FSIN	48,467	114,410
SIAS	6,665	3,860
SIGA	-	47,530
Post Secondary Education and Skills Training - Province of Saskatchewan	110,323	104,765

5. Accounts receivable:

	<u>1998</u>	<u>1997</u>
External:		
Trade	\$ 39,801	\$ 106,125
Goods and services tax	29,450	28,573
Health and Welfare Canada	51,475	18,752
Staff/board advances	8,617	6,054
Related parties:		
First Nations and Tribal Councils	559,176	136,140
SIAS	127,222	41,584
Post Secondary Education and Skills Training - Province of Saskatchewan	29,569	20,000
Sask Tel	28,362	91,360
FSIN	15,798	82,851
SIGA	5,976	6,783
SICC	1,000	1,500
	<u>896,446</u>	<u>539,722</u>
Less: allowance for doubtful accounts	43,671	43,671
	<u>\$ 852,775</u>	<u>\$ 496,051</u>

SASKATCHEWAN INDIAN REGIONAL COLLEGE

Notes to Financial Statements - continued

Year ended June 30, 1998

6. Accounts payable and accrued liabilities:

	1998	1997
External:		
Trade payables and accrued liabilities	\$ 546,910	\$ 341,507
Related parties:		
SITAG	289,357	419,527
First Nations and Tribal Councils	215,718	284,079
SIASST	127,417	39,526
Sask Tel	3,046	-
	\$ 1,182,448	\$ 1,084,639

7. Deferred revenue:

The following program revenues are to be applied against program expenditures to be made subsequent to June 30, 1998:

	1998	1997
Operational Funding (Indian and Northern Affairs Canada)	\$ 120,000	\$ 120,000
Curriculum Development (Human Resources Development Canada)	75,215	-
NNADAP (Medical Services Branch)	54,370	13,604
Management Training (Regina Urban)	22,317	-
Health Sciences (Peter Ballantyne Cree Nation)	14,093	-
Firefighter Training (Indian and Northern Affairs Canada)	9,089	32,618
Scholarship Funding (Sask Tel and Sask Energy)	7,000	-
Tuition	3,175	965
Adult Basic Education Programs:		
Buffalo River First Nation	10,383	-
FSIN	2,317	-
English River First Nation	1,805	23,890
Training Assessment System:		
Metis Employment and Training Center	57,144	146,759
Grand River Employment and Training	-	2,928
RCMP Training (Prince Albert Grand Council)	7,462	-
Technical Preparation Program (Meadow Lake Tribal Council)	-	9,239
Fundraising - Campus building	2,207	-
	\$ 386,577	\$ 350,003

SASKATCHEWAN INDIAN REGIONAL COLLEGE

Notes to Financial Statements - continued

Year ended June 30, 1998

8. Obligation under capital leases:

	1998	1997
Obligation under capital leases, beginning of year	\$ 108,746	\$ -
Additions during the year	428,609	134,467
Repayments during the year	(177,132)	(25,721)
Obligation under capital leases, end of year	360,223	108,746
Less current portion	184,500	40,074
	\$ 175,723	\$ 68,672

Minimum lease payments under the capital leases are as follows:

1999	\$ 194,668
2000	177,793
2001	11,809
2002	3,334
2003	-
Total minimum lease payments	387,604
Less amount representing future interest	27,381
Net obligation under capital leases	\$ 360,223

Interest rates on the leases range from 6.75% to 7.5%. Interest expensed during the year amounted to \$27,413 (1997-\$4,400).

SASKATCHEWAN INDIAN REGIONAL COLLEGE

Notes to Financial Statements - continued

Year ended June 30, 1998

9. Deferred contributions:

Deferred contributions represent amounts received from Aboriginal Business Canada relating to capital asset acquisitions for the Call Centre. These amounts are being recognized as revenue on the same basis as the related assets are being amortized as set out in note 2.

10. Net assets invested in capital assets:

Investment in capital assets is comprised of:

	1998	1997
Net book value of capital assets	\$ 1,082,315	\$ 779,431
Purchase of capital assets financed by:		
Deferred contributions	(38,400)	-
Obligations under capital leases	(360,223)	(108,746)
Net assets invested in capital assets	\$ 683,692	\$ 670,685

11. Net assets internally restricted:

	1998	1997
Net assets internally restricted, start of year	\$ 48,628	\$ -
Current year appropriation for:		
-legal fees	50,000	-
-campus facility conceptual design development	-	50,000
Current year expenditures on:		
-campus facility conceptual design development	(2,425)	(1,372)
Net assets invested in capital assets	\$ 96,203	\$ 48,628

12. Commitments:

The College has commitments under operating leases over the next five years as follows:

1999	\$ 316,615
2000	184,221
2001	138,669
2002	113,555
2003	99,147
	<u>\$ 852,207</u>

SASKATCHEWAN INDIAN REGIONAL COLLEGE

Notes to Financial Statements - continued

Year ended June 30, 1998

13. Budgeted figures:

Approved budgeted revenue and expenditures for the current fiscal year are as follows:

	(unaudited)
Revenue:	
Institutional programs and operations	\$ 5,376,010
Contract training	900,540
Contract projects	1,118,535
	<u>7,395,085</u>
Expenditures:	
Institutional operations	1,010,256
Institutional programs	4,553,445
Contract training	900,540
Contract projects	1,118,535
	<u>7,582,776</u>
<u>Budgeted excess of expenditures over revenue</u>	<u>\$ (187,691)</u>

14. Pension Plan:

The College has a defined contribution pension plan for the benefit of its employees. Membership in the plan is mandatory for eligible employees and employee contributions are matched equally by the College up to 7.5%. The College's contribution to the plan was \$17,652 in 1998 (1997 - \$0). Annual contributions by the College are recorded as expenditures in the statement of operations.

15. Financial assets and liabilities:

Cash, accounts receivable and accounts payable are all short-term in nature and as such their carrying value approximates fair value.

SASKATCHEWAN INDIAN REGIONAL COLLEGE

Notes to Financial Statements - continued

Year ended June 30, 1998

16. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the College's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the College, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

17. Comparative figures

Certain of the prior year's figures used for comparative purposes have been reclassified to conform to the current year's presentation.

Schedule 1

SASKATCHEWAN INDIAN REGIONAL COLLEGE

Capital Assets

June 30, 1998, with comparative figures for 1997

	1998			1997		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Office furniture	\$ 220,225	\$ 162,454	\$ 57,771	\$ 194,335	\$ 148,011	\$ 46,324
Office equipment	344,516	226,106	118,410	305,938	196,503	109,435
Automotive equipment	122,168	84,520	37,648	91,268	68,386	22,882
Course equipment	1,300,847	931,813	369,034	1,278,663	881,467	397,196
Computer software	103,293	98,019	5,274	84,246	82,150	2,096
Leasehold improvements	309,467	175,512	133,955	234,776	142,024	92,752
Assets under capital lease	563,076	202,853	360,223	134,467	25,721	108,746
	\$ 2,963,592	\$ 1,881,277	\$ 1,082,315	\$ 2,323,693	\$ 1,544,262	\$ 779,431

Schedule 2

SASKATCHEWAN INDIAN REGIONAL COLLEGE

Revenue

Year ended June 30, 1998, with comparative figures for 1997

	1998	1997
Institutional programs and operations:		
SITAG	\$ 3,121,128	\$ 3,475,360
Indian and Northern Affairs Canada	1,464,856	1,457,522
First Nations and Tribal Councils:		
Human Resources Development Canada	-	9,983
Purchases under bilateral agreement	1,069,308	299,936
Tuition fees	557,078	356,386
Direct purchases	236,628	464,666
SIAS (Future Skills)	20,000	1,443
FSIN	48,266	147,050
	\$ 6,517,264	\$ 6,212,346
Contract training:		
National Native Alcohol and Drug Abuse Program	\$ 491,077	\$ 487,819
Firefighter Training	123,529	95,908
Community Health Representative Training	109,421	96,298
Electronics Program	84,377	1,693
Health Careers Access	72,532	117,898
Human Resource Officer Orientation	7,000	-
Canada Mortgage Housing Corporation - Program Manager	6,000	-
First Nations RCMP Career Preparation Training	-	52,575
Workplace Diversity Training	-	24,000
Youth Development Co-ordinator Training	-	3,978
Casino Worker Training	-	47,530
Time Management - NCI	-	375
	\$ 893,936	\$ 928,074
Contract projects:		
Regional Co-ordination-bilateral agreement	\$ 371,110	\$ 329,647
Human Resources Development Officer		
-Development Project	331,426	-
SIIT Call Centre Project	330,353	276,484
Labor Market Information Systems Project		
-Metis Employment and Training	89,614	21,241
-Grand River Employment and Training	2,928	6,389
-Wide Area Network	-	45,000
Pipeline Planning Project	24,215	-
ABE Multi-media Project	6,665	11,250
Provincial Training Strategy	5,946	4,054
Tuberculosis Education Curriculum Project	-	5,237
Healing Lodge Training Development	-	2,735
	\$ 1,162,257	\$ 702,037
Other:		
Interest	\$ 29,219	\$ 19,623
Miscellaneous	5,324	1,008
	\$ 34,543	\$ 20,631

Schedule 3

SASKATCHEWAN INDIAN REGIONAL COLLEGE

Expenditures by Function

Year ended June 30, 1998, with comparative figures for 1997

	1998	1997 (restated)
Institutional operations:		
Institutional support	\$ 597,944	\$ 620,810
Operations and maintenance	431,079	417,261
Board	110,983	101,862
Amortization of capital assets	111,901	78,708
Cost recoveries	(181,124)	(215,105)
	\$ 1,070,783	\$ 1,003,536
Institutional programs:		
Diploma programs	\$ 2,626,994	\$ 2,392,948
Program planning, development and coordination	1,009,846	765,793
Certificate and applied certificate programs	818,236	972,633
Other career programs	813,312	985,167
Academic preparation programs	616,203	505,668
Amortization of capital assets	196,733	92,276
Cost recoveries	(530,998)	(395,376)
	\$ 5,550,326	\$ 5,319,109
Contract training:		
National Native Alcohol and Drug Abuse Program	\$ 491,077	\$ 487,444
Firefighter Training	123,529	95,908
Community Health Representative Training	108,921	96,298
Electronics Program	84,377	1,693
Health Careers Access	72,024	118,100
Canadian Mortgage Housing Corporation - Program Manager	6,129	-
Human Resource Officer Orientation	5,256	-
First Nations RCMP Career Preparation Training	-	52,575
Workplace Diversity Training	-	23,788
Youth Development Co-ordinator Training	-	3,978
Casino Worker Training	-	47,530
Time Management - NCI	-	375
Amortization of capital assets	9,227	9,931
	\$ 900,540	\$ 937,620
Contract projects:		
Regional Co-ordination- bilateral agreement	\$ 364,168	\$ 327,027
SIIT Call Centre Project	286,518	184,479
Human Resources Development Officer -Development Project	270,870	-
Labor Market Information Systems Project -Metis Employment and Training	77,629	17,783
-Grand River Employment and Training	950	6,389
-Wide Area Network	-	20,446
Pipeline Planning Project	24,215	-
Provincial Training Strategy	13,720	4,054
Home care development project	10,306	-
ABE Multi-media Project	6,665	11,250
Campus Development Project	2,425	1,372
Tuberculosis Education Curriculum Project	-	5,231
Healing Lodge Training Development	-	2,735
Amortization of capital assets	61,069	31,908
	\$ 1,118,535	\$ 612,674

Schedule 4

SASKATCHEWAN INDIAN REGIONAL COLLEGE

Expenditures by Object

Year ended June 30, 1998, with comparative figures for 1997

	1998	1997
		(restated)
Salaries	\$ 3,382,840	\$ 2,901,679
Contractual services	2,312,939	2,037,824
Facilities rent	632,186	599,960
Employee benefits	443,995	369,500
Travel and sustenance	413,073	420,389
Trainee travel and sustenance	249,059	360,282
Coordination charges	218,081	182,817
Administration charges	188,604	197,824
Supplies	170,542	194,253
Telephone	154,008	108,895
Vehicle and equipment rentals	131,981	125,991
Reference materials	83,890	87,740
Resource persons	81,632	112,676
Photocopying	53,737	29,843
Advertising	48,639	28,127
Board honoraria	46,750	38,862
Printing and binding	40,534	53,971
Graduation	31,255	29,874
Audit and accounting fees	30,481	17,000
Janitorial	29,401	23,150
Board travel	27,069	17,857
Insurance	16,173	11,228
Courier	17,895	6,152
Miscellaneous	16,164	43,517
Training-students	15,844	30,627
Bad debts	15,338	-
Maintenance	13,522	17,965
Training-staff	11,558	23,085
Furniture	11,406	6,634
Major tools	10,691	-
Utilities	10,465	21,611
Legal fees	9,703	5,147
Training allowances	9,276	117,104
Postage	7,903	8,193
Goods and services tax	7,846	9,885
Memberships	4,758	3,131
Repairs	4,753	5,670
Bank charges and interest	4,523	3,667
Business development	4,016	4,041
Equipment	3,969	5,567
Subscriptions	3,173	4,176
Casual	1,860	4,683
Fuel	1,526	-
Storage	518	-
Total expense before recoveries and amortization	\$ 8,973,376	\$ 8,270,597
Amortization	378,930	212,823
Less Recoveries	(712,122)	(610,481)
	\$ 8,640,184	\$ 7,872,939

AUDITORS' REPORT TO THE MEMBERS OF THE LEGISLATIVE ASSEMBLY OF SASKATCHEWAN

We have audited the statement of financial position of Saskatchewan Institute of Applied Science and Technology as at June 30, 1998 and the statements of operations, changes in net assets and cash flows for the year then ended. The Institute is responsible for preparing these financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Institute as at June 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG

Chartered Accountants

Saskatoon, Saskatchewan

August 14, 1998

Wayne Struelens

Provincial Auditor

Regina, Saskatchewan

August 14, 1998

SASKATCHEWAN INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY

Statement of Financial Position

June 30, 1998 with comparative figures for 1997

(in thousands of dollars)

	1998	1997
Assets		
Current assets:		
Cash and short-term investments (note 3)	\$ 12,146	\$ 13,846
Accounts receivable (note 4)	6,190	3,564
Inventories (note 5)	1,254	1,248
Prepaid expenses	319	278
	<u>19,909</u>	<u>18,936</u>
Capital assets (note 6)	15,960	13,348
	<u>\$ 35,869</u>	<u>\$ 32,284</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 6,636	\$ 5,139
Salaries and benefits payable	6,394	6,453
Unearned revenue (note 7)	2,913	1,879
Deferred grants (note 9)	1,013	2,439
Current portion of obligation under capital leases (note 8)	317	418
	<u>17,273</u>	<u>16,328</u>
Obligation under capital leases (note 8)	169	488
Deferred grants related to capital assets (note 9)	7,133	4,666
	<u>24,575</u>	<u>21,482</u>

Net Assets

Net assets invested in capital assets	8,341	7,776
Operating net assets:		
Unrestricted	2,533	2,643
Internally restricted (note 10)	420	383
	<u>11,294</u>	<u>10,802</u>
Commitments (note 11)		
Contingencies (note 12)		
	<u>\$ 35,869</u>	<u>\$ 32,284</u>

See accompanying notes to financial statements.

On behalf of the Board:

Paul J. Dudley Director

CB Director

SASKATCHEWAN INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY

Statement of Operations

Year ended June 30, 1998 with comparative figures for 1997

(in thousands of dollars)

	1998 Budget	1998 Actual	1997 Actual
Revenue:			
Grants	\$ 68,119	\$ 68,483	\$ 70,036
Contractual services	23,724	25,801	25,933
Tuition and fees	11,170	11,820	10,453
Sales	5,265	5,960	4,956
Amortization of deferred capital grants	661	1,004	757
Interest	558	760	647
Rentals	132	152	198
Donations	35	49	11
	109,664	114,029	112,991
Expenditures:			
Salaries and benefits	69,533	71,407	73,410
Facilities rental	14,888	14,926	14,854
Materials and supplies	9,037	9,537	9,189
Services	7,882	8,750	7,376
Travel	2,527	2,476	2,145
Equipment rental and repairs	2,114	1,924	2,277
Amortization	4,362	4,247	4,150
Scholarships and donations	209	226	199
	110,552	113,493	113,600
Excess (deficiency) of revenue over expenditures before extraordinary item	(888)	536	(609)
Extraordinary item (note 13)	-	(44)	(88)
Excess (deficiency) of revenue over expenditures	\$ (888)	\$ 492	\$ (697)

See accompanying notes to financial statements.

SASKATCHEWAN INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY

Statement of Changes in Net Assets

Year ended June 30, 1998

(in thousands of dollars)

	Invested in Capital Assets	Unrestricted	Internally Restricted	1998 Total	1997 Total
Balance, beginning of year	\$ 7,776	\$ 2,643	\$ 383	\$ 10,802	\$ 11,499
Excess (deficiency) of revenue over expenditures	(3,243)	3,735	-	492	(697)
Investment in capital assets	3,808	(3,808)	-	-	-
Internally imposed restrictions (note 10)	-	(37)	37	-	-
Balance, end of year	\$ 8,341	\$ 2,533	\$ 420	\$ 11,294	\$ 10,802

See accompanying notes to financial statements.

SASKATCHEWAN INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY

Statement of Cash Flows

Year ended June 30, 1998 with comparative figures for 1997

(in thousands of dollars)

	1998	1997
Cash from operating activities		
Excess (deficiency) of revenue over expenditures	\$ 492	\$ (697)
Amortization of capital assets	4,247	4,150
Amortization of deferred capital grants	(1,004)	(757)
Change in non-cash working capital (note 14)	(1,627)	899
Cash generated from operating activities	2,108	3,595
Financing and investing activities		
Grants for purchase of capital assets	3,471	2,001
Repayments of obligation under capital leases	(420)	(1,028)
Increase in obligation under capital leases	-	270
Purchase of capital assets	(6,859)	(4,931)
Net cash used in financing and investing activities	(3,808)	(3,688)
Net decrease in cash and short-term investments	(1,700)	(93)
Cash and short-term investments, beginning of year	13,846	13,939
Cash and short-term investments, end of year	\$ 12,146	\$ 13,846

See accompanying notes to financial statements.

SASKATCHEWAN INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY

Notes to Financial Statements

Year ended June 30, 1998

1. Statutory authority:

Saskatchewan Institute of Applied Science and Technology (SIAST) was established as a public educational corporation by the Legislative Assembly of Saskatchewan under *The Institute Act* and is continued under *The Saskatchewan Institute of Applied Science and Technology Act*.

2. Significant accounting policies:

These financial statements have been prepared in accordance with generally accepted accounting principles, and include the following significant accounting policies:

(a) Revenue recognition:

SIAST follows the deferral method of accounting for grants. Grants for expenditures of future periods are deferred and recognized as revenue in the year in which the related expenditure is incurred. Grants for capital assets are deferred and recognized as revenue on the same basis as the acquired capital assets are amortized.

Revenue from contractual services is recognized as the service is delivered. Revenue from tuition and fees is recognized as the course instruction is delivered.

(b) Inventories:

Inventories consist of merchandise and supplies held for resale and are valued at the lower of cost and net realizable value. Administrative and program supplies and library periodicals are not inventoried.

(c) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is charged to operations on the straight line basis over the following estimated useful lives of the assets:

Asset	Period
Industrial and heavy equipment	10 years
Furniture	10 years
Office equipment, specialized equipment and library	5 years
Vehicles	8 years
Leasehold improvements:	
SPMC owned properties	15 years
Other properties	Lease term
Computer equipment	3 years

SASKATCHEWAN INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY

Notes to Financial Statements - continued

Year ended June 30, 1998

3. Cash and short-term investments:

(in thousands of dollars)

	1998	1997
Cash	\$ 1,553	\$ 519
Short-term promissory notes	10,593	13,327
	\$ 12,146	\$ 13,846

The investment in short-term promissory notes is stated at cost which approximates market value.

4. Accounts receivable:

(in thousands of dollars)

	1998	1997
Tuition fees	\$ 126	\$ 113
Programs delivered	1,519	1,302
Federal government	764	772
Provincial government - General Revenue Fund		
Programs	553	967
Grants	1,603	135
Other	1,625	275
	\$ 6,190	\$ 3,564

5. Inventories:

(in thousands of dollars)

	1998	1997
Bookstores	\$ 1,142	\$ 1,101
Food services	48	39
Shop and service supplies	64	108
	\$ 1,254	\$ 1,248

SASKATCHEWAN INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY

Notes to Financial Statements - continued

Year ended June 30, 1998

6. Capital assets:

(in thousands of dollars)

			1998	1997
	Cost	Accumulated Amortization	Net book Value	Net Book Value
Furniture and equipment	\$ 62,593	\$ 51,928	\$ 10,665	\$ 10,286
Leasehold improvements	6,851	1,556	5,295	3,062
	\$ 69,444	\$ 53,484	\$ 15,960	\$ 13,348

7. Unearned revenue:

(in thousands of dollars)

	1998	1997
Tuition and fees	\$ 842	\$ 772
Contractual services	1,939	903
Other	132	204
	\$ 2,913	\$ 1,879

8. Obligation under capital leases:

(in thousands of dollars)

	1998	1997
Obligation under capital leases, beginning of year	\$ 906	\$ 1,664
Additions during the year	-	270
Repayments during the year	(420)	(850)
Retirements during the year	-	(178)
Obligation under capital leases, end of year	486	906
Less current portion	317	418
Long-term obligation under capital leases	\$ 169	\$ 488

SASKATCHEWAN INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY

Notes to Financial Statements - continued

Year ended June 30, 1998

8. Obligation under capital leases - continued:

Minimum lease payments under the capital leases are as follows:

1999	\$	322
2000		169
2001		50
2002		64
2003		-
Total minimum lease payments		605
Less amount representing future interest		119
Net obligation under capital leases	\$	486

Interest rates on the leases range from 8.0% to 14.25%. Interest expensed during the year amounted to \$48 (1997 - \$86).

9. Deferred grants:

(in thousands of dollars)

	Deferred Grants			
	Future Skills Job Start	Capital Assets (Current)	1998 Total	1997 Total
Beginning balance	\$ 1,552	\$ 887	\$ 2,439	\$ 3,284
Recognized as revenue in the year	(971)	(1,394)	(2,365)	(1,845)
Amount received	-	939	939	1,000
Ending balance	\$ 581	\$ 432	\$ 1,013	\$ 2,439

Future Skills and Job Start deferred grants represent unspent grants which are restricted to Future Skills and Job Start programs. During the 1995 fiscal year SIAST entered into contractual agreements with the Department of Post-Secondary Education and Skills Training to act as a funding agency in the delivery of a series of provincial programs designed to provide training and employment.

(in thousands of dollars)

	Deferral Grants Related to Capital Assets	
	1998	1997
Balance, beginning of year	\$ 4,666	\$ 3,422
Amortization	(1,004)	(757)
Assets purchased	3,471	2,001
Balance, end of year	\$ 7,133	\$ 4,666

SASKATCHEWAN INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY

Notes to Financial Statements - continued

Year ended June 30, 1998

10. Internally restricted net assets:

(in thousands of dollars)

	Equipment Renewal	Strategic Initiation	1998 Total	1997 Total
Beginning balance	\$ 157	\$ 226	\$ 383	\$ 1,116
Current expenditures	(157)	-	(157)	(890)
Current restrictions	194	-	194	157
Ending balance	\$ 194	\$ 226	\$ 420	\$ 383

11. Commitments:

SIASST has a number of operating lease commitments pertaining to land and buildings and equipment. The majority of land and buildings are leased on a continuing basis from the Saskatchewan Property Management Corporation (SPMC). The remaining land and buildings as well as the equipment are leased from various private lessors.

A summary of the future minimum operating lease commitments is as follows:

(in thousands of dollars)

	Land and Buildings		Equipment		Total
	SPMC	Other Lessor	Other Lessor		
1999	\$ 13,088	\$ 920	\$ 951	\$	14,959
2000	10,961	920	99		11,980
2001	10,238	920	46		11,204
2002	10,238	920	1		11,159
2003	10,020	537	-		10,557

12. Contingencies

The collective agreement between SIASST and its unionized employees expired June 30, 1997. Negotiations for a new collective agreement between management and the union are in progress. Any settlement which affects 1998 will be reflected in the period in which the agreement is ratified.

13. Extraordinary Item (in thousands of dollars):

During the 1997 fiscal year, a fire occurred at SIASST Kelsey Campus. Although the facilities are owned by SPMC, there was substantial damage to SIASST equipment. Fire related repairs and renovations have continued into the current fiscal year. The majority of costs related to the fire were covered by insurance. The gross revenues and expenditures related to the fire were \$511 and \$555 (1997 - \$911 and \$999) respectively.

SASKATCHEWAN INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY

Notes to Financial Statements - continued

Year ended June 30, 1998

14. Change in non-cash working capital:

(in thousands of dollars)

	1998	1997
Accounts receivable	\$ (2,626)	\$ 108
Inventories	(6)	(119)
Prepaid expenses	(41)	177
Accounts payable and accrued liabilities	1,497	(880)
Salaries and benefits payable	(59)	1,729
Unearned revenue	1,034	729
Deferred grants	(1,426)	(845)
	\$ (1,627)	\$ 899

15. Financial assets and liabilities:

Cash and short-term investments, accounts receivable and accounts payable are all short-term in nature and as such their carrying value approximates fair value.

16. Related parties (in thousands of dollars):

Included in the financial statements are revenue and expenditure amounts resulting from routine transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which SIAST is related. Account balances resulting from these transactions are included in the balance sheet and settled on normal trade terms. Other transactions with related parties are disclosed elsewhere in these statements.

During the year SIAST received revenue from the General Revenue Fund of the Province of Saskatchewan for operations and rent in the amount of \$68,357 (1997 - \$69,203). The Department of Post-Secondary Education and Skills Training through the General Revenue Fund also funds training on a contractual basis. During the year, \$5,157 (1997 - \$4,351) was received for these contractual programs.

SIAST also received revenue for contractual services from the Province of Saskatchewan regional colleges for \$3,892 (1997 - \$3,077).

Included in facilities rental is \$13,506 (1997 - \$13,363) paid to SPMC for rent. These transactions are recorded at rates set by SPMC.

Included in services expenditures is \$1,666 (1997 - \$1,797) paid to SaskTel. These transactions are recorded at rates set by SaskTel.

SASKATCHEWAN INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY

Notes to Financial Statements - continued

Year ended June 30, 1998

16. Related parties (in thousands of dollars) - continued:

The short-term investments set out in note 3 consist of bankers' acceptances, promissory notes and treasury bills and are held by the Department of Finance as custodian.

SIAST employees participate in various defined benefit and money purchase type pension plans. The majority of these are managed and administered by the Department of Finance. Employer grants for money purchase plans are included in expenditures in these financial statements. Employer obligations associated with the defined benefit pension plans are the responsibility of the General Revenue Fund of the Province of Saskatchewan.

The Kelsey Institute Foundation Inc. is a not-for-profit organization which operates to offer financial support to the students of SIAST Kelsey Campus. Funds solicited by the Foundation are used to provide scholarships directly to students and for equipment donated to SIAST Kelsey Campus for use in program delivery. For the Foundation's fiscal year ended December 31, 1997 donations in kind to SIAST Kelsey Campus were \$160 (1996 - \$437).

During the year, SIAST entered into an agreement with Saskatchewan Post-Secondary Education and Skills Training (the Department) to administer training allowances under The Training Allowance Regulations. All monies received for this program from the Department are property of the Department. During the year, SIAST received \$10,879 under this agreement, and paid \$10,309 of training allowances to eligible applicants as approved by the Department. At June 30, 1998, SIAST has \$570 on deposit as property of the Department. Since these monies are administered on behalf of the Department, they are not reflected in these financial statements.

17. Budgeted figures (in thousands of dollars):

Budgeted figures exclude expenditures which were funded out of internally restricted net assets. Current year expenditures funded out of internally restricted net assets are \$157 (1997 - \$890). \$194 (1997 - \$157) has been restricted from unrestricted net assets to fund future expenditures.

18. Expenditures by function:

Following is a summary of expenditures by function:

(in thousands of dollars)

	1998	1997
Programs	\$ 69,689	\$ 71,163
Facilities	15,215	14,984
Administration	15,007	14,126
Student services	8,539	8,757
Ancillary	5,043	4,570
	\$ 113,493	\$ 113,600

SASKATCHEWAN INSTITUTE OF APPLIED SCIENCE AND TECHNOLOGY

Notes to Financial Statements - continued

Year ended June 30, 1998

19. Year 2000:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000.

SIAST has established plans to address the Year 2000 issue and to mitigate the risk of significant systems failure which could affect SIAST's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting SIAST, including those related to the efforts of funding agencies, suppliers, or other third parties, will be fully resolved.

**HILLSTEAD, MELANSON
ACCOUNTING AND TAX SERVICES
115 SECOND STREET
WEYBURN, SASKATCHEWAN
S4H 0T7**

AUDITOR'S REPORT

To the Board of Governors of Southeast Regional College

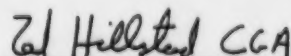
I have audited the statement of financial position of the Southeast Regional College as at June 30, 1998 and the statements of operations, changes in fund balances and changes in financial position for the year then ended. The College is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion these financial statements present fairly in all material respects, the financial position of Southeast Regional College as at June 30, 1998 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The financial statements of the prior year were reported on by other auditors.

Weyburn, Saskatchewan
September 30, 1998

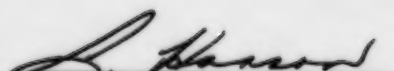

Hillstead, Melanson

**Southeast Regional College
Statement of Financial Position
at June 30, 1998**

	Operating Fund	Capital Fund	Scholarship Fund	1998	1997 (note 14)
	\$	\$	\$	\$	\$
Assets					
Current Assets					
Cash	354,033	5,000	3,526	362,559	360,782
Cash, internally restricted funds (note 13)	744,055			744,055	711,620
Accounts Receivable (note 3)	414,537			414,537	352,093
Prepaid expenses	12,584			12,584	12,584
	1,525,209	5,000	3,526	1,533,735	1,437,079
Capital Assets (notes 2 & 4)		372,470		372,470	350,807
Deferred rent (note 8)		150,000		150,000	
	1,525,209	527,470	3,526	2,056,205	1,787,886
Liabilities					
Current Liabilities					
Accounts payable (note 5)	281,174			281,174	417,864
Accrued vacation pay (note 6)	58,043			58,043	62,043
Deferred revenue (note 11)	316,937			316,937	109,261
	656,154			656,154	589,168
Fund Balances (note 2)					
Unrestricted	125,000			125,000	125,000
Invested in capital assets		527,470		527,470	350,807
Externally restricted			3,526	3,526	11,291
Internally restricted (note 13)	744,055			744,055	711,620
	869,055	527,470	3,526	1,400,051	1,198,718
	1,525,209	527,470	3,526	2,056,205	1,787,886

**Southeast Regional College
Statement of Operations
for the year ended June 30, 1998**

	Operating		Capital		Scholarship			
	1998	1997 (note 14)	1998	1997 (note 14)	1998	1997	1998	1997 (note 14)
	\$	\$	\$	\$	\$	\$	\$	\$
Revenues (Schedule 1)								
Saskatchewan Post-Secondary Education and Skills Training	2,429,259	2,214,876	217,800				2,647,059	2,214,876
Federal Government	811,049	641,808					811,049	641,808
Other Revenue	2,200,435	2,196,273			1,301	1,455	2,201,736	2,197,728
Total revenues	5,440,743	5,052,957	217,800		1,301	1,455	5,659,844	5,054,412
Expenses (Schedule 2)								
Contractual & Professional Services	1,897,712	1,648,698					1,897,712	1,648,698
Rentals	303,528	210,848					303,528	210,848
Repairs and Maintenance	44,746	36,801					44,746	36,801
Amortization			271,622	229,734			271,622	229,734
Scholarship disbursements					9,066	870	9,066	870
Operating Expenses (Schedule 3)	884,146	914,843					884,146	914,843
Personal Services	2,047,691	1,746,145					2,047,691	1,746,145
Total expenses	5,177,823	4,557,335	271,622	229,734	9,066	870	5,458,511	4,787,939
Excess / (deficiency) of Revenue over expenditures	262,920	495,622	(53,822)	(229,734)	(7,765)	585	201,333	266,473


Approved on behalf of the Board

**Southeast Regional College
Statement of Changes in Financial Position
for the year ended June 30, 1998**

	1998 \$	1997 (note 14) \$
Operating activities		
Excess/<deficiency> of revenue over expenses		
-Operating Fund	262,920	495,622
-Scholarship Fund	(7,765)	585
Net change in non-cash working capital	4,542	59,068
	<u>259,697</u>	<u>555,275</u>
Investing activities		
Purchase of capital assets	(293,285)	(243,122)
Deferred rent	(150,000)	
	<u>(443,285)</u>	<u>(243,122)</u>
Financing activities		
Capital contributions	217,800	
	<u>217,800</u>	
Increase/<decrease> in cash during year	34,212	312,153
Cash at the beginning of the year	1,072,402	760,249
Cash at the end of the year	<u><u>1,106,614</u></u>	<u><u>1,072,402</u></u>

The accompanying notes form an integral part of these financial statements.

Ted Hillstead, CGA

**Southeast Regional College
Statement of Changes in Fund Balances
for the year ended June 30, 1998**

	Invested in capital assets (note 14)	Scholarship Fund	Internally Restricted Funds	Unrestricted Funds	1998	1997 (note 14)
	\$	\$	\$	\$	\$	\$
Balance, beginning of the year	1,646,283	11,291	711,620	125,000	2,494,194	1,997,986
Adjustment of prior year (note 14)	(1,295,476)				(1,295,476)	(1,308,863)
Balance as restated	350,807	11,291	711,620	125,000	1,198,718	689,123
Excess/<deficiency> of revenue over expenses	(53,822)	(7,765)		262,920	201,333	266,473
Investment in capital assets	230,485		(230,485)			243,122
Inter-fund transfers - to / (from)			262,920	(262,920)		
Balance, end of the year	527,470	3,526	744,055	125,000	1,400,051	1,198,718

The accompanying notes form an integral part of these financial statements.

Ted Hillstead, CGA

Schedule 1

Southeast Regional College
Schedule of Operating Fund Revenues by Function
year ended June 30, 1998

	Administration General Revenue	Community & Individual Development	Programming			University Credit	Student Services	1997
			Adult Basic Education	Vocational Technical				
	\$	\$	\$	\$	\$	\$	\$	\$
Post-Secondary Education and Skills Training								
Admin Recovery	500		15,750	87,525			103,775	
Base Grant	944,078				144,620	90,984	1,179,682	894,309
Program Payments	2,204		352,587	685,077			1,039,868	939,857
Other	105,934						105,934	380,710
	1,052,716		368,337	772,602	144,620	90,984	2,429,259	2,214,876
Federal Government								
Seat Purchases		804		33,172			33,976	52,000
Projects			7,927	681,183			689,110	499,917
Other	249		31,044	56,670			87,963	89,891
	249	804	38,971	771,025			811,049	641,808
Other								
Admin Recovery	4,814	8,740	3,333	23,866		3,333	44,086	92,581
Contracts	66,250	250	17,794	475,104		66,352	625,750	864,986
Interest	52,743						52,743	36,854
Rents	2,031	6,713		57			8,801	14,550
Resale Items	1,709	116,528		73,980	37,697	365	230,279	176,402
Tuition		657,533	111,864	275,688	175,131	240	1,220,456	985,192
Other	4,691	13,629					18,320	25,708
	132,238	803,393	132,991	848,695	212,828	70,290	2,200,435	2,196,273
Total Revenue	1,185,203	804,197	540,299	2,392,322	357,448	161,274	5,440,743	5,052,957
Total Expense (schedule 2)	916,678	896,229	509,491	2,281,225	357,448	216,752	5,177,823	4,557,335
Excess/(deficiency) of of revenue over expenses	268,525	(92,032)	30,808	111,097		(55,478)	262,920	495,622

The accompanying notes form an integral part of these financial statements.

Ted Hillstead, CCA

Schedule 2

Southeast Regional College
Schedule of Operating Fund Expenses by Function
for the year ended June 30, 1998

	General Administration			Programming					1998	1997
	Board	Admin	Organization	Community & Individual Development	Adult Basic Education	Vocational Technical	University Credit	Student Services	\$	\$
Contractual/Professional Services	1,570	(10,909)	12,170	344,108	47,374	1,306,516	190,916	5,967	1,897,712	1,648,698
Rentals	2,258	19,420	2,245	2,503	59,181	183,013	19,802	15,106	303,528	210,848
Repairs & Maintenance	117	10,381	7,194	233	1,730	24,289	551	251	44,746	36,801
Operating (Schedule 3)	24,013	132,332	67,245	190,544	50,395	300,623	88,974	30,020	884,146	914,843
Personal Services	20,564	418,357	209,721	358,841	350,811	466,784	57,205	165,408	2,047,691	1,746,145
	48,522	569,581	298,575	896,229	509,491	2,281,225	357,448	216,752	5,177,823	4,557,335

The accompanying notes form an integral part of these financial statements.

Ted Hillstead, CGA

Schedule 3

**Southeast Regional College
Schedule of Operating Expenses
for the year ended June 30, 1998**

	1998	1997
	<u>\$</u>	<u>\$</u>
Operating Expenses		
Advertising	83,020	84,090
Association Fees and Dues	10,650	7,875
Bank Charges and Interest	2,134	413
Computer Software	28,434	15,439
Conference and Training Fees	12,237	5,725
Insurance	8,583	8,987
Materials and Supplies	103,552	86,764
Postal, Freight, and Courier	27,870	23,097
Printing and Duplicating	3,965	7,801
Resale Items	237,681	195,847
Small Equipment	17,315	10,641
Student Allowances	60,541	169,773
Subscriptions	2,760	7,216
Taxes and licenses	1,983	8,121
Telephone and Fax	92,194	77,286
Travel	161,212	141,323
Utilities	16,986	40,948
Other	13,029	23,497
	<u>884,146</u>	<u>914,843</u>

The accompanying notes form an integral part of these financial statements.

Ted Hillstead, CGA

Notes to the Financial Statements

1. General Information

The Southeast Regional College offers educational services and programs under the authority of Section 14 of *The Regional Colleges Act*. The Board of the Southeast Regional College is responsible for administering and managing the educational affairs of the College in accordance with *The Regional Colleges Act* and its regulations.

The College's objectives are to promote the social, economic and cultural development of Southeastern Saskatchewan by facilitating learning options in partnership with community groups and businesses.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles utilizing the restricted funds method of accounting for contributions.

a) Fund Accounting

Funds are a separate self-balancing set of accounts for each accounting entity established within the accounting system, which segregate the transactions of a particular activity, as follows:

- i The Operating Fund accounts for the organization's program delivery and administrative activities. The fund reports unrestricted resources and restricted operating and program grants.
- ii The Capital Fund reports the assets, liabilities, revenues and expenses related to the capital assets of the College.
- iii The Scholarship Fund reports resources contributed for scholarships. Investment income and contributions are reported as revenue, and scholarships granted are reported as expenditures of this fund.
- iv The College maintains Internally Restricted Funds designated by the Board for the following purposes:

Capital Purchases: Funds are allocated for three categories of future capital requirements: Program Computer Enhancement; Program Equipment Enhancement and Facility Enhancement.

Other: Other amounts are designated by the Board for specific purposes relating to future operations of the College. Funds in this category are: Program Development; to be used for development of existing and future programs to be offered by the College, and Education; to be used for professional development of College personnel.

Amounts transferred to, and disbursements from, these funds, are approved by the Board of Governors.

b) Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair market value at the date of contribution. Amortization is provided on a straight line basis over the estimated useful lives of the assets, and recorded as an expense in the capital fund, for the categories listed below:

Leasehold improvements	:	over the life of the lease, to which they relate.
Program equipment and office equipment	:	5 years.
Computer hardware and systems software	:	3 years.
Office furniture	:	10 years.

c) Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the Operating Fund, in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund, in the year received.

Unrestricted contributions are recognized as revenue in the year received or receivable, if the amount to be received can be reasonably estimated, and collection is reasonably assured.

Investment income earned from the resources of internally restricted funds, is recorded as income in the Operating Fund.

Tuition revenue is recognized as revenue of the Operating Fund in the period in which the related expenses are incurred.

3. Accounts Receivable

Accounts receivable are composed of the following:

	1998 \$	1997 \$
Saskatchewan Post-Secondary Education & Skills Training	113,924	28,912
Government of Saskatchewan - other	71,949	41,518
Other	228,664	281,663
	<u>414,537</u>	<u>352,093</u>

4. Capital Assets

	Cost		Accumulated Amortization		Net Book Value	
	1998 \$	1997 \$	1998 \$	1997 \$	1998 \$	1997 \$
Leasehold improvements	122,446	82,432	59,646	82,432	62,800	
Program equipment	156,983	317,927	127,234	279,503	29,749	38,424
Computer hardware - programs	481,684	738,109	314,635	572,663	167,049	165,446
Computer hardware - admin.	173,878	184,993	115,149	143,580	58,729	41,413
Office equipment	35,774	74,039	34,828	70,715	1,046	3,324
Office furniture	32,353	114,367	24,061	101,778	8,292	12,589
System software	134,416	134,416	89,611	44,805	44,805	89,611
	<u>1,137,634</u>	<u>1,646,283</u>	<u>765,164</u>	<u>1,295,476</u>	<u>372,470</u>	<u>350,807</u>

5. Accounts Payable

Accounts payable are composed of the following:

	1998 \$	1997 \$
Government of Saskatchewan - other	68,428	16,995
Other	212,746	400,869
	<u>281,174</u>	<u>417,864</u>

6. Accrued Vacation Pay

Vacation pay of \$58,043, (1997, \$62,043) representing vacation earned by employees but not yet paid, has been calculated and recorded in the accounts.

7. Lease Commitments - Equipment and Buildings

The College has obligations for leases of office equipment and premises. Future minimum payments for the next five years total \$452,673, with the following annual payments:

Year	\$
1999	134,078
2000	90,344
2001	82,111
2002	63,920
2003	60,620

8. Deferred Rent

The college entered into a lease for facilities for a period of 10 years. A condition of the lease required an advance payment of \$150,000 to the lessor of the premises. The payment has been recorded as deferred rent and will be amortized over the term of the lease.

9. Related Party Transactions

Included in these financial statements are revenue and expenditures resulting from routine operating transactions conducted at agreed rates with various Crown controlled departments, agencies and corporations, with which the College is related. Accounts balances resulting from these transactions are included in the statements of financial position and operations. These transactions are settled on normal trade terms.

Transactions with related parties, incorporated in these financial statements, include the following:

Significant payments to related parties during the fiscal year:

	1998 \$	1997 \$
Association of Saskatchewan Regional Colleges	7,000	
SIAS	528,091	385,617
Saskatchewan Property Management Corp.	113,831	82,846
University of Regina	98,211	48,691

Significant receipts to related parties during the fiscal year:

	1998	1997
	\$	\$
Association of Saskatchewan Regional Colleges	57,838	
New Careers Corporation	11,545	148,884
SIAS (Future Skills)	19,042	78,029
SCN	114,286	114,286
University of Regina	21,111	10,168

10. Pension Plans

Employees of the college are members of the Teachers' Superannuation Plan, the Saskatchewan Teachers Retirement Plan or a defined contribution plan established by the Southeast Regional College. The college's obligations under these arrangements are limited to matching employee's contributions of the defined contribution plan established by the Southeast Regional College. Pension contributions for 1998 totalled \$ 68,686, (1997, \$61,491).

11. Deferred operating grants and program payments

Deferred revenue represents restricted funding for operating grants and program payments received in the current period, for operations of the subsequent period. Changes in deferred revenue for the year, are as follows:

	1998	1997
	\$	\$
Balance, beginning of year	109,261	81,702
Deduct: Amounts recognized as revenue during the year	(109,261)	(81,702)
Add: Amounts received during the year		
Tuition received in advance	2,810	2,990
Provincial Training Allowance 1998-99	10,000	
Quick Skills	32,497	
Basic Education - Reach Back	5,355	
Saskatchewan Skills Extension Program	234,275	81,461
Distance Education	32,000	
Computer Connection Grant		24,641
Balance, end of year	316,937	109,261

12. Provincial Training Allowance

During the year, the College made an agreement with Saskatchewan Post-Secondary Education And Skills Training (the Department) to pay training allowances for the Department. The Department is responsible for approving payments made per the agreement. The money received from the Department for this program is the property of the Department until the College pays the eligible applicant.

Since advances on hand and the funds spent on this program, are the Department's responsibility, the transactions pertaining to the agreement are not reflected in the College's financial statements. The college paid \$ 697,925 for training allowances, to 140 applicants. At the end of the year, the College held \$ 56,081 in trust for the Department.

13. Inter-fund transfers and internally restricted net assets

In 1998, the Board of Governors placed internal restrictions on unrestricted net assets to be used for future expenditures. These internally restricted amounts are not available for other purposes without approval of the Board of Directors. A transfer of \$262,920 was made from the Operating Fund to the Capital Asset Enhancement Fund, and a transfer of \$230,485 was made from Capital Assets Enhancement Fund to the (Restricted) Capital Fund, to cover the cost of additions to Capital Assets. In addition, \$ 59,922 was reallocated from the Facility Enhancement Fund, to the Program Equipment Enhancement Fund.

The changes in internally restricted funds for the year, are as follows:

Internally Restricted Funds	Program Computer Fund \$	Program Equipment Fund \$	Facility Fund \$	Program Development Fund \$	Educational Development Fund \$	Total \$
Balance, beginning of year	266,041		157,922	203,224	84,433	711,620
Transfers from operating fund	262,920					262,920
Additions to fixed assets, (transferred to capital fund)	(230,485)					(230,485)
Inter-fund transfers - to / (from)		59,922	(59,922)			
Balance, end of year	298,476	59,922	98,000	203,224	84,433	744,055

14. Change in Accounting Policy

The College adopted accounting recommendations for not for profit organizations, issued by the Canadian Institute of Chartered Accountants, effective July 1, 1997, and changed its method of accounting for capital assets. Capital assets are presently accounted for as described in note 2b. In prior years, the full cost of capital assets was recorded as an expenditure in the year of acquisition and was carried at cost within the capital fund until disposal, destruction, or retirement.

The effects of the change in accounting policy on the financial statements, is summarized as follows:

	1998 \$	1997 \$
Decrease in the net book value of capital assets	1,295,476	1,308,863
Decrease in the equity in capital assets	1,295,476	1,308,863
Decrease in expenditures on capital assets	293,285	243,122
Increase in amortization of capital assets	271,622	229,734
Increase in excess of revenues over expenditures	21,663	13,388

15. Financial Instruments

Accounts receivable and accounts payable are all short term in nature, and as such, their carrying value approximates fair value.

The College is exposed to credit risk from non-payment of accounts receivable. Credit risk is minimal for amounts due from Saskatchewan Post-Secondary Education & Skills Training, the Government of Canada, and other educational institutions. All other receivables are reported at estimated net realizable value.

16. Uncertainty due to the Year 2000 Issue

The year 2000 Issue arises because many computerized business systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900, or some other date, resulting in errors when information using the year 2000 is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant system failure, which could affect the entity's ability to conduct normal business operations.

The College has reviewed all systems, and where possible identified the risks associated with this issue. Modifications will be made to correct identified deficiencies. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the College including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

17. Actual vs Budget

	Budget 1998 \$	Actual 1998 \$
Revenue		
Saskatchewan Post-Secondary Education & Skills Training	2,317,194	2,429,259
Federal Government	357,627	811,049
Other	1,628,364	2,200,435
	4,303,185	5,440,743
Expenditure		
Contractual & professional	1,094,872	1,897,712
Rentals	336,667	303,528
Repairs & maintenance	14,573	44,746
Operating expenses	771,614	884,057
Personnel	2,017,138	2,047,780
	4,234,864	5,177,823
Excess (Deficiency) of Operating Fund revenues over expenditures	68,321	262,920
Excess (Deficiency) of Capital Fund revenues over expenditures		(53,822)
Excess (Deficiency) of Scholarship Fund revenues over expenditures		(7,765)
Total - Excess (Deficiency) of revenues over expenditures	68,321	201,333

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the University of Regina as at April 30, 1998 and the statements of operations and changes in fund balances and statement of cash flows for the year then ended. The University's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University as at April 30, 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelloff

Wayne Strelloff, C.A.
Provincial Auditor

Regina, Saskatchewan
October 23, 1998

University of Regina

Statements of Financial Position

As at April 30, 1998

With comparative figures for April 30, 1997
(in thousands of dollars)

Statement 1

	General	Restricted	Endowment	Total 1998	Total 1997 (restated, Note 24)
Current Assets					
Accounts receivable (Note 4)	\$ 4,817	\$ 4,026	\$ 23	\$ 8,866	\$ 5,782
Inventories	2,616			2,616	2,168
Prepaid expenses	215			215	207
	<u>7,648</u>	<u>4,026</u>	<u>23</u>	<u>11,697</u>	<u>8,157</u>
Long Term Assets					
Long-term investments		10,414	10,149	20,563	16,165
Capital assets (Note 5)		92,442		92,442	92,719
	<u>\$ 7,648</u>	<u>\$ 106,882</u>	<u>\$ 10,172</u>	<u>\$ 124,702</u>	<u>\$ 117,041</u>
Current Liabilities					
Bank overdrafts (Cash)	\$ 9,944	\$ (3,239)		\$ 6,705	\$ 4,371
Accounts payable and other accrued liabilities	3,414	336		3,750	4,799
Accrual for vacation pay and early retirement (Note 13)	5,760			5,760	4,040
Deferred income	1,518	97		1,615	1,480
Current portion of long term debt (Note 7)		598		598	438
	<u>20,636</u>	<u>(2,208)</u>	<u>0</u>	<u>18,428</u>	<u>15,128</u>
Long Term Liabilities					
Long-term debt (Note 7)		13,915		13,915	11,627
Due to (from) other funds (Note 8)	1,044	(1,044)		0	0
Accrual for early retirement (Note 13)	935			935	4,772
	<u>1,979</u>	<u>12,871</u>	<u>0</u>	<u>14,850</u>	<u>16,399</u>
Fund Balances					
Externally restricted funds		15,465	\$ 10,172	25,637	19,406
Internally restricted funds	96	760		856	1,813
Invested in Capital Assets		79,994		79,994	80,275
Unrestricted funds	(15,063)			(15,063)	(15,980)
	<u>(14,967)</u>	<u>96,219</u>	<u>10,172</u>	<u>91,424</u>	<u>85,514</u>
Total Liabilities and Fund Balances	<u>\$ 7,648</u>	<u>\$ 106,882</u>	<u>\$ 10,172</u>	<u>\$ 124,702</u>	<u>\$ 117,041</u>

On Behalf of the Board of Governors

Charles Bradlock
Chairperson of the Board

David H. H. H.
Acting Vice-President Administration
Per D. H. H.

The accompanying notes are an integral part of these financial statements.

University of Regina

Statements of Operations and Changes in Fund Balances
For the Year Ended April 30, 1998
With comparative figures for 1997
(in thousands of dollars)

Statement 2

	General	Restricted	Endowment	Total 1998	Total 1997 (restated, Note 24)
Revenues					
Government grants and contracts					
Government of Canada	\$ 554	\$ 3,359		\$ 3,913	\$ 4,133
Department of Post-Secondary Education & Skills Training	45,021	3,666		48,687	54,568
Other	851	1,530		2,381	1,400
Student fees	22,422	211		22,633	21,410
Contributions, gifts, donations and bequests	365	4,940	\$ 82	5,387	4,271
Sales of services and products	11,303	406		11,709	10,839
Income from investments	75	2,328	1,153	1,645	2,238
Miscellaneous income	1,385	260		1,342	2,057
Income from operating leases (Note 13)	81,976	18,042	1,235	101,253	102,240
Expenses					
Salaries	30,825	338		31,163	31,131
Academic	21,390	1,694		23,084	21,211
Other	6,157	125		6,282	6,456
Employee benefits	6,748	1,313		8,061	9,759
Operational supplies and expenses	1,869	760		2,629	2,114
Travel	3,079			3,079	2,672
Cost of goods sold	2,013	1,409		3,422	3,654
Equipment, rental, maintenance & renovations	4,400	47		4,447	3,391
Utilities	436	7,657		8,093	7,131
Amortization of capital assets	18	620		638	294
Loss on disposal of capital assets	2,476	2,269		4,745	2,574
Scholarships, bursaries and prizes	390	840		1,230	1,220
Interest	464			464	462
Wascana Centre Authority levy	123			123	390
Bad debt expense	(2,117)			(2,117)	4,965
Change in early retirement and vacation pay accrual (Note 13)	78,271	17,072	0	95,343	97,424
Net revenues (expenses)	3,705	970	1,235	5,910	4,816
Interfund transfers	(3,731)	4,087	(356)	0	0
Net increase (decrease) in fund balances for year	(26)	5,057	879	5,910	4,816
Fund balances, beginning of year (restated, Note 24)	(14,941)	91,162	9,293	85,514	80,698
Fund balances, end of year	\$ (14,967)	\$ 96,219	\$ 10,172	\$ 91,424	\$ 85,514

The accompanying notes are an integral part of these financial statements.

University of Regina

Statement of Cash Flows
For the Year Ended April 30, 1998
With comparative figures for 1997
(in thousands of dollars)

Statement 3

	General	Restricted	Endowment	Total 1998	Total 1997 (restated, Note 24)
Operating Activities					
Net revenues (expenses)	\$ 3,705	\$ 970	\$ 1,235	\$ 5,910	\$ 4,816
Add back items not affecting cash:					
Amortization of capital assets		8,093		8,093	7,131
Unrealized (gains) losses on mutual funds		(1,753)	(884)	(2,637)	(1,220)
Loss on disposal of capital assets		638		638	294
Decrease (increase) in non-cash working capital	(863)	(1,872)	1	(2,714)	979
(Decrease) increase in long term accrual for early retirement	(3,837)			(3,837)	3,797
Cash generated by (used in) operating activities	(995)	6,076	352	5,433	15,797
Investing Activities					
Purchases of investments	(15,499)	(6,300)	(349)	(22,148)	(297,823)
Sales of investments	15,499	4,535	353	20,387	300,746
Purchases of assets:					
Land		(57)		(57)	(16,738)
Buildings		(2,396)		(2,396)	(769)
Site improvements		(1,129)		(1,129)	(2,211)
Furnishings and equipment		(2,564)		(2,564)	(936)
Software		(627)		(627)	(1,767)
Library resources		(1,681)		(1,681)	0
Sales of assets		0		0	
Cash generated by (used in) investing activities	0	(10,219)	4	(10,215)	(19,498)
Financing Activities					
Acquisition of long-term debt		3,000		3,000	240
Repayment of long-term debt		(552)		(552)	(951)
Repayment of internal loans	(218)	218		0	0
Cash generated by (used in) financial activities	(218)	2,666	0	2,448	(711)
Net change in cash (bank overdraft)	(1,213)	(1,477)	356	(2,334)	(4,412)
Interfund Adjustments	(3,731)	4,087	(356)	0	0
Cash (bank overdraft), beginning of year	(5,000)	629	0	(4,371)	41
Cash (bank overdraft), end of year	\$ (9,944)	\$ 3,239	\$ 0	\$ (6,705)	\$ (4,371)

The accompanying notes are an integral part of these financial statements.

Statement 4

Statement of Operations and Changes in Fund Balances for the General Fund
For the Year Ended April 30, 1998
With comparative figures for 1997
(in thousands of dollars)

	Operating	Vacation Pay Accrual Funded from Future Revenues	Ancillary	Special Projects	Total 1998	Total 1997 (restated, Note 24)
Revenues						
Government grants and contracts						
Government of Canada	\$ 402			\$ 152	\$ 554	\$ 607
Department of Post-Secondary Education & Skills Training	44,873			148	45,021	45,149
Other	630			221	851	887
Student fees	22,122		\$ 34	266	22,422	21,389
Contributions, gifts, donations and bequests	292			73	365	1,059
Sales of services and products	3,770		6,978	555	11,303	10,641
Income from investments	28		47		75	146
Miscellaneous income	905		276	204	1,385	803
Income from operating leases (Note 15)	73,022	0	7,335	1,619	81,976	80,681
Expenses						
Salaries	30,556			269	30,825	31,088
Academic	19,767		1,549	74	21,390	19,213
Other	5,977		139	41	6,157	6,318
Employee benefits	5,124		826	798	6,748	7,520
Operational supplies and expenses	1,619		23	227	1,869	1,441
Travel			3,079		3,079	2,672
Cost of goods sold	1,596		350	67	2,013	2,220
Equipment, rental, maintenance & renovations	4,180		214	6	4,400	3,389
Utilities			436		436	369
Amortization of capital assets			18		18	186
Loss on disposal of capital assets	2,290		11	175	2,476	1,405
Scholarships, bursaries and prizes	87		303		390	320
Interest	464				464	462
Wascana Centre Authority levy	123				123	368
Bad debt expense						4,965
Change in early retirement and vacation pay accrual (Note 13)	(2,032)	\$ (85)			(2,117)	
	69,751	(85)	6,948	1,657	78,271	81,956
Net revenues (expenses)	3,271	85	387	(38)	3,705	(1,275)
Interfund transfers	(2,139)		(1,440)	(152)	(3,731)	(5,100)
Net increase (decrease) in fund balances for year	1,132	85	(1,053)	(190)	(26)	(6,375)
Fund balances, beginning of year (restated, Note 24)	(10,805)	(1,942)	(2,694)	500	(14,941)	(8,566)
Fund balances, end of year	\$ (9,673)	\$ (1,857)	\$ (2,747)	\$ 310	\$ (14,967)	\$ (14,941)

The accompanying notes are an integral part of these financial statements.

University of Regina

Statement of Operations and Changes in Fund Balances for the Restricted Funds
For the Year Ended April 30, 1998
With comparative figures for 1997
(in thousands of dollars)

Statement 5

	Capital Asset	Research	Trust	Total 1998	Total 1997 (restated, Note 24)
Revenues					
Government grants and contracts		\$ 3,358	\$ 1	\$ 3,359	\$ 3,526
Government of Canada					9,419
Department of Post-Secondary Education & Skills Training	\$ 3,666	1,334	60	3,666	513
Other	136	211		1,530	21
Student fees		33	4,907	4,940	2,750
Contributions, gifts, donations and bequests		406		406	198
Sales of services and products			2,281	2,328	1,515
Income from investments	47	165	95	260	1,254
Miscellaneous income	1,342			1,342	1,324
Income from operating leases (Note 15)	5,191	5,507	7,344	18,042	20,520
Expenses					
Salaries		338		338	43
Academic		1,545	149	1,694	1,998
Other		118	7	125	118
Employee benefits		955	348	1,313	2,239
Operational supplies and expenses	10	721	39	760	673
Travel				0	0
Cost of goods sold	1,099	287	23	1,409	1,434
Equipment, rental, maintenance & renovations	19	27	1	47	2
Utilities				7,657	6,762
Amortization of capital assets	7,657			620	108
Loss on disposal of capital assets	620			2,269	1,169
Scholarships, bursaries and prizes		628	1,641	840	900
Interest	840			0	0
Wascana Centre Authority levy				0	0
Bad debt expense				0	0
Change in early retirement and vacation pay accrual (Note 13)				0	0
	10,245	4,619	2,208	17,072	15,446
Net revenues (expenses)	(5,054)	888	5,136	970	5,074
Interfund transfers	4,773	(217)	(469)	4,087	5,100
Net increase (decrease) in fund balances for year	(281)	671	4,667	5,057	10,174
Fund balances, beginning of year (restated, Note 24)	80,275	3,395	7,492	91,162	80,988
Fund balances, end of year	\$ 79,994	\$ 4,066	\$ 12,159	\$ 96,219	\$ 91,162

The accompanying notes are an integral part of these financial statements.

1. Authority and Purpose

The University of Regina became an autonomous institution on July 1, 1974 by an Act of the Saskatchewan Legislature. Its authority is *The University of Regina Act*, Chapter U-5, of the Province of Saskatchewan. The University is a registered charitable organization under the *Income Tax Act*.

The purpose of the University is the preservation, transmission, interpretation and enhancement of the cultural, scientific and artistic heritage of the human race, and the acquisition and expansion of new knowledge and understanding.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles as set out by the Canadian Institute of Chartered Accountants (CICA).

(a) Fund Accounting

The University follows the restricted fund method of accounting for contributions. Under fund accounting, resources are classified for accounting and reporting purposes into funds in accordance with specified activities or objectives.

The Statement of Operations and Changes in Fund Balances shows the total revenues and expenses of the University, after elimination of interfund transactions with ancillaries and internal cost recoveries. The University has classified accounts with similar characteristics into major funds as follows:

- i) **The General Fund** accounts for the University's program delivery, service and administrative activities. This fund reports unrestricted resources. The General Fund is further classified as Operating, Vacation Pay Accrual Funded from Future Revenues, Ancillary, and Special Projects.
 - General - Operating Fund contains the academic, administrative and operational costs that are funded by tuition and related fees, government grants, investment and miscellaneous income, and sales of goods and services to external parties. As such, this Fund reports unrestricted resources and restricted resources earmarked for general operating purposes.
 - General - Vacation Pay Accrual Funded from Future Revenues Fund records the amount of unpaid vacation pay for academic and non-academic staff which will be funded from future revenues.
 - General - Ancillary Fund is composed of Ancillary Enterprises that provide goods and services to the University community. They are composed of the Bookstore, College West Residence, Printing Services, Parking, Food Services, Language Institute Residence, Language Institute Food Services, automated teller machines, confectionery store, and coffee shop. Ancillary Enterprises operate on a fee-for-service basis and must be self-funding. Charges to other University funds are eliminated for financial statement purposes by removing them from Ancillary revenues and expenses.

- General - Special Projects Fund consist of a number of individual accounts used to track operating projects' costs and recoveries in one place. These projects involve consulting, training, time-limited projects, or other.

- ii) **The Restricted Fund** reports only restricted resources that are to be used for specific purposes. The Restricted Fund is further classified as Capital Asset, Research, and Trust.

- Restricted - Capital Asset Fund consists of grants, gifts, interest and rental income used to acquire capital assets and repay long-term debt on certain capital assets.

- Restricted - Research Fund consists of grant and contract income and expenses specifically identified for research or related activities as restricted by granting agencies, research institutes and other public and private organizations.

- Restricted - Trust Fund consists of externally restricted resources that may be used in their entirety within the restrictions established by the provider of the funds. The bulk of these funds are restricted for the provision of scholarships or annual lectures.

- iii) **The Endowment Fund** reports resources contributed for endowment. Restrictions placed on the fund by the original provider preclude the original fund balance from being spent.

(b) Use of Estimates

The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of financial statements and reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

(c) Capital Assets

Purchased capital assets are recorded at cost. Donated assets are reported at fair market value when received by the University. The University capitalizes all assets costing more than \$2 and all computer-related assets costing more than \$5, except library resources, which are capitalized regardless of cost. The University capitalizes upgrades to buildings and site improvements greater than \$10, except for Ancillary Enterprises, which have all upgrades capitalized regardless of cost. Assets costing less than these thresholds are expensed in the year purchased.

Capitalized assets are amortized on a straight line basis over their estimated useful lives as follows:

Buildings	- temporary	20 years
	- permanent	40 years
Site Improvements		10 to 40 years
Furnishings and equipment		3 to 30 years
Software		3 to 8 years
Library resources		10 years

Amortization of Ancillary assets is recorded in the General - Ancillary Fund. All other amortization is recorded in the Restricted - Capital Asset Fund.

An estimate for disposals or withdrawals of library holdings for superseded, poor condition, irrelevant, lost or stolen books is calculated at 1.05 percent of the net capitalized value of library holdings at the end of the preceding year.

Collections are not capitalized or amortized. All additions to collections are expensed in the year purchased.

The original land that was transferred to the University when it became a separate legal institution is reported on the statement of financial position at a nominal value of \$1. This land includes 20 acres at the College Avenue Campus and 357 acres at the Main Campus. In 1989, the Main Campus was appraised by Crown Appraisals of Regina at four dollars per square foot for a total value of \$62,204.

(d) Investments

- i) Gains or losses on disposal are recorded in the year of disposal.
- ii) Mutual funds are recorded at fair market value. Both realized and unrealized gains and losses are recognized as changes in the market values occur.
- iii) Other investments are carried at cost.

(e) Inventories

Inventories are valued at the lower of cost and net realizable value which is principally determined by the first in, first out method.

(f) Donations

Donations are recorded as revenue in the fiscal period in which they are received. Gifts-in-Kind, including works of art, equipment, investments and library holdings are recorded at fair market value on the date of their donation.

(g) Pledges and bequests

Pledges and bequests are recorded as contributions in the period when pledged or bequeathed if the amounts to be received can be reasonably estimated and if collection is reasonably assured.

During the year, \$2,326 (1997 - \$0) of pledges and bequests were recorded. Pledges and bequests of \$1,278 (1997 - \$2,275) were not included in the financial statements because their ultimate collection cannot be reasonably assured.

(h) Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other externally restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Endowment Fund.

University of Regina

Notes to the Financial Statements
For the Year Ended April 30, 1998
With comparative figures for 1997
(in thousands of dollars)

Investment income earned on Endowment Fund resources is recorded in the appropriate fund, depending on the external restriction placed on that income. If it must become part of the endowment amount, it is recognized as revenue of the Endowment Fund. If it may be spent for a restricted purpose, it is recorded as revenue of that restricted fund. If there are no restrictions on the income, it is reported as income of the General Fund. Other investment income is recognized as revenue of the General Fund when earned.

3. Bank Overdraft

The University's revolving overdraft at the Canadian Imperial Bank of Commerce is secured by hypothecation of grant revenue.

4. Accounts Receivable

Accounts receivable are composed of the following:

	1998	restated 1997 (Note 24)
Accounts receivable	\$ 6,972	\$ 6,099
Loans receivable	126	119
Pledges receivable	2,326	0
Less Allowance for doubtful accounts	(558)	(436)
Net receivables	<u>\$ 8,866</u>	<u>\$ 5,782</u>

5. Capital Assets

(all 1997 numbers are restated, see Note 24)

	Cost		Accumulated Amortization		Net Book Value	
	1998	1997	1998	1997	1998	1997
Land	\$58	\$1	\$0	\$0	\$58	\$1
Buildings	101,316	100,066	37,869	35,630	63,447	64,436
Site Improvements	19,138	18,034	7,202	6,517	11,936	11,517
Furnishings & Equipment	24,524	22,252	19,630	17,472	4,894	4,780
Software	2,555	1,928	255	66	2,300	1,862
Library Resources	32,204	30,847	22,397	20,724	9,807	10,123
	<u>\$179,795</u>	<u>\$173,128</u>	<u>\$87,353</u>	<u>\$80,409</u>	<u>\$92,442</u>	<u>\$92,719</u>

During the year, the University disposed of the following amounts of assets:

- Library Resources with an original cost of \$324 (1997 - \$309), in accordance with the policy described in note 2(c);
- Site Improvements with an original cost of \$25 (1997 - \$180);
- Buildings with an original cost of \$1,145 (1997 - \$0). The University demolished the Student Union Building and made some major replacement upgrades;
- Furnishings and Equipment with an original cost of \$293 (1997 - \$169).

6. Collections

a) Collection of Rare Books, Records and Papers

The University Library maintains a collection of rare books and runs of bound old magazines. The collection is increased either by purchases or donations, which are minimal. The University does not dispose of items in this collection.

The University of Regina Archives collects the official records of the University of Regina, and private papers in various disciplines. The University Archives currently does not purchase or sell any items. All records and papers are transferred or donated.

b) Art Collection

The MacKenzie Art Gallery manages part of the University's art collection as described in note 20 to these financial statements. The University also owns various works of art including paintings, banners, sculptures, and drawings. Additions to and disposals of our collection are few.

c) Collection of Geographical Maps

The University's map library is a reference library containing maps, air photos, atlases, globes and documents on cartography and land use. Most additions come in the form of donations from government and private individuals. It is also a depository for the National Topographic Survey, who sends new and revised maps to the library monthly. The map library does not sell any items in its collection.

7. Long-Term Debt

Title of Issue	Interest Rate	Annual Repayment Terms	1998	Restated 1997 (Note 24)
College West Residence Building Debenture, will be paid off Dec. 31, 2024	7.25%	\$ 155 principal & interest	\$ 1,828	\$ 1,849
Information Systems Management Building Mortgage, due Sept. 1, 2001, will be paid off Sept. 1, 2011	6.97%	\$ 945 principal & interest	8,266	8,629
Daycare Centre Long-Term Loan, due Jan. 1, 2004, will be paid off Jan 1, 2019	8.53%	\$54 principal & interest	527	536
Long-Term Loan on 2 Research Drive Building, due Sept. 6, 1999, will be paid off Sept 6, 2022	9.05%	\$ 45 principal, interest compounded quarterly	1,005	1,050
Riddell Centre Building Loan, due May 1, 2002, will be paid off May 1, 2011	6.29%	\$26 principal & interest	2,886	0
Less Current Portion			(598)	(438)
			\$13,914	\$ 11,626

University of Regina

Notes to the Financial Statements
For the Year Ended April 30, 1998
With comparative figures for 1997
(in thousands of dollars)

The interest and principal repayments for the next five years are:

	Interest	Principal
1998/99	\$ 999	\$ 598
1999/2000	957	637
2000/01	911	678
2001/02	863	722
2002/03	811	770

8. Due To/From Other Funds

Purpose and Funds Involved	Interest Rate	Annual Repayment Terms	1998	Restated 1997 (Note 24)
Physical Activities Lifestyle Centre loan from Restricted - Capital Asset to General - Operating, will be paid off April 30, 2000	6.50%	\$ 67 principal, interest paid once per year	\$ 133	\$ 200
SCT software loan from Restricted - Trust to Restricted - Capital Asset, will be paid off April 30, 2001	6.25%	\$ 100 principal, interest paid once per year	300	400
DEC network loan from Restricted - Capital Asset to General - Operating, will be paid off April 30, 2003	6.00%	\$211 blended principal and interest each year, paid monthly	911	1063
			<u>\$ 1,344</u>	<u>\$ 1,663</u>

9. Financial Instruments

a) Significant financial instruments, terms and conditions:

The University's significant financial instruments consist of accounts receivable, accounts payable, investments in mutual funds and bank indebtedness, including mortgages and line of credit. There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing, or certainty of future cash flows. Significant terms and conditions for the long-term financial instruments are disclosed separately in these notes.

b) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The University is exposed to market risk due to its investment in equity mutual funds. This risk is minimized by investing with a reputable company who maintains a diversified portfolio.

c) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The University is exposed to cash flow risk due to interest rate changes for its investment in money market and bond mutual funds and bank overdraft.

d) Credit risk:

Credit risk is the risk that the party owing the University money will fail to discharge that responsibility. The University is exposed to credit risk from the potential non-payment of

accounts receivable and non-return of money invested in mutual funds. The maximum credit risk exposure is equal to the amounts disclosed on the Statement of Financial Position.

Approximately 17% (1997 - 19%) of the University's receivables are from students and employees. The credit risk from these is minimal as the University has various methods of recourse for collection such as withholding transcripts, certificates or degrees and payroll deduction.

Approximately 18% (1997 - 33%) of the University's receivables are from the three federated colleges on campus, which are related parties. See also note 19 to these financial statements.

The other 65% (1997 - 48%) of receivables are from the federal government, not-for-profit organizations, corporations and other universities.

The pledges receivable are from reputable corporations with a history of paying what they have pledged to the University.

The University minimizes credit risk related to mutual funds by investing with a reputable company.

e) Fair Value:

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- The carrying amounts of these financial instruments approximate fair value due to their immediate or short-term nature:
 - cash
 - accounts receivable
 - accounts payable

- The fair value of investments is considered to approximate the disclosed market values.

- The fair values of mortgages as at April 30, 1998 are shown in the table below. These fair values are determined using discounted cash flow analysis based on current incremental borrowing rates for similar borrowing arrangements.

College West Building	\$ 1,786
ISM Building	8,023
Daycare Centre	570
2 Research Drive Building	1,113
Riddell Centre	2,687

These values will fluctuate as market interest rates change.

10. *Pension Plans*

The University is responsible for the administration of two contributory defined benefit pension plans, the Pension Plan for the Academic and Administrative Employees of the University of Regina and the Non-Academic Pension Plan. Actuarial valuations are completed regularly as prescribed by statute. The University contributes to its defined benefit Pension Funds the amounts recommended by the actuaries with minimum amounts specified in accordance with the plans and in the collective bargaining agreements. The assets including any potential surplus in the plan are for the benefit of the members and their beneficiaries. There is no provision that allows for the withdrawal of surplus by the University.

University of Regina

Notes to the Financial Statements

For the Year Ended April 30, 1998

With comparative figures for 1997

(in thousands of dollars)

The Pension Plan for the Academic and Administrative Employees of The University of Regina is a defined benefit final average pension plan. An actuarial valuation, using the accrued benefit actuarial cost method, was performed on this plan as at December 31, 1995 and extrapolated to December 31, 1997. The present value of accumulated benefits resulting from services provided to December 31, 1997 was \$161,597 (1996 - \$143,162). This amount less assets of \$216,197 (1996 - \$197,530) based on market related values, resulted in an actuarial surplus of \$54,600 at December 31, 1997 (1996 - \$54,368). Pension expense of \$2,294 (1997 - \$2,300) related to this plan is included in these financial statements.

The University of Regina Non-Academic Pension Plan is also a defined benefit final average pension plan. An actuarial valuation, using the accrued benefit actuarial cost method, was performed on this plan as at December 31, 1995 and extrapolated to December 31, 1997. The present value of accumulated benefits resulting from services provided to the valuation date was \$31,263 (1996 - \$28,652). This amount less assets of \$44,868 (1996 - \$40,260) based on market values, resulted in an actuarial surplus of \$13,605 at December 31, 1997 (1996 - \$11,608). Pension expense of \$540 (1997 - \$536) related to this plan is included in these financial statements.

In addition, the University is also responsible for the administration of a defined contribution pension plan, the University of Regina Pension Plan for Eligible Part Time Employees. The University matches contributions to this pension fund and has no further liability for the pensions of its members. Pension expense of \$5 (1997 - \$5) related to this plan is included in these financial statements.

11. Fund Balances and Interfund Transfers

a) Internally restricted fund balances

The Board has a policy whereby certain faculties and departments who underspend their budgets in one year may carry forward this amount and spend it in the following year. The internally restricted fund balance of \$3,533 (1997 - \$3,233) in the General - Operating Fund equals the amount of this carryforward. This amount is internally restricted because it cannot be used to reduce the unrestricted deficit at year end.

The entire fund balance of the General - Ancillary Fund of \$(3,747) (1997 - \$(2,694)) has been internally restricted by the Board. The Board has a policy that Ancillaries shall be self-funding. Therefore, a positive fund balance shall be used only by Ancillaries, while a deficit shall be recovered by Ancillaries. A large portion of this deficit, \$3,505 (1997 - \$2,745), is due to net capital assets recorded in the Restricted - Capital Asset Fund.

The Restricted - Research Fund has an internally restricted balance of \$760 (1997 - \$774) resulting from research which is sponsored by various faculties and departments of the University.

b) General - Operating Fund deficit

The General - Operating Fund deficit of \$9,673 (1997 - \$10,805) includes amounts which have been created by the University's Faculty Renewal/Voluntary Severance Plan (FR/VSP). This amount of approximately \$6,334 (1997 - \$6,738) will be reduced by future underspending in faculties and departments.

The remaining deficit of approximately \$3,339 (1997 - \$4,067), which was not created by the FR/VSP, is being reduced annually by the Board of Governors deficit reduction provision in the budget.

c) Capital asset transfers

During 1997/98, the University transferred \$3,640 of General-Operating Fund revenue, \$130 of General - Special Project Fund revenue, \$402 of Restricted - Research Fund revenue, and \$58 of Restricted - Trust Fund revenue to the Restricted -Capital Asset Fund to fund purchases of assets. The University also transferred \$760 of General - Ancillary Fund revenue to the Restricted -Capital Asset Fund to fund the increase in the ancillaries' net assets held in the Restricted -Capital Asset Fund.

d) Board approved transfers

The Board approved the transfer of \$350 (1997 - \$350) from the General -Ancillary Fund to the General -Operating Fund to support the General -Operating Fund.

The Board also approved the transfer of certain lease profit from the Restricted -Capital Asset Fund to the General -Operating Fund. The amount of this transfer is \$145 (1997 - \$131).

The Board approved net transfers of \$574 (1997 - \$495) from the Restricted -Capital Asset Fund to the General -Operating Fund to support computing services.

e) Other transfers

The University transferred \$105 from the General - Special Projects Fund to the General -Operating Fund to support the new library computer system.

The University also transferred \$404 from the Restricted - Capital Asset Fund to the General - Operating Fund to support the Faculty Renewal, Voluntary Severance early retirement package.

The General - Ancillary Fund transferred \$118 to the Restricted - Capital Asset Fund to pay down the debt on an Ancillary building and \$248 to the General - Operating Fund as an administration fee.

The Endowment Fund transferred \$396 to the Restricted - Trust Fund for interest which had been improperly recorded in endowment.

The Restricted - Trust Fund transferred \$696 to the Restricted - Capital Asset Fund to support the building of the Riddell Centre. This money had been collected from students for many years to help build a new building for the Student's Union.

12. Expenses by Function

	1998	Restated 1997 (Note 24)
Instruction	\$ 45,958	\$49,950
Library	3,810	3,604
Computing & AV	1,561	2,142
Admin and General	7,941	7,402
Physical Plant	8,270	8,642
Student Services	2,126	2,233
Ancillary	6,948	6,261
Special Projects	1,657	1,722
Capital	10,245	8,227
Research	4,619	5,543
Trust & Endowment	2,208	1,698
Total Expenses	\$ 95,343	\$ 97,424

13. Vacation Pay and Early Retirement Accruals

In 1996/97, the Board approved a new early retirement program called the Faculty Renewal - Voluntary Severance Program. The program provides for lump-sum payouts over the next three years based on the retiree's annual salary and other monthly benefits (e.g., maintenance of life insurance, dental premiums). These lump-sum payouts and monthly benefits are accrued at their present value as follows:

	Vacation Pay Accrual	Provision for Early Retirements	Total
Balance, April 30, 1996	\$ 1,981	\$ 1,866	\$ 3,847
Increase (decrease) during year	(39)	5,004	4,965
Balance, April 30, 1997 (restated, Note 24)	1,942	6,870	8,812
Increase (decrease) during year	(85)	(2,032)	(2,117)
Balance, April 30, 1998	1,857	4,838	6,695
Less long-term portion	0	(935)	(935)
	\$ 1,857	\$ 3,903	\$ 5,760

14. Budget Versus Actual for 1998

General - Operating Fund:

The University of Regina budgets for the change in the accumulated fund balance (deficit). For the year ended April 30, 1998, the University budgeted to reduce the accumulated deficit by \$1 million.

	Budget	Actual
Revenues	\$ 75,329	\$ 73,022
Expenses	(74,329)	(69,751)
Net income (deficit)	1,000	3,271
Interfund Transfers and change in accrual		(2,139)
Change in General - Operating Fund Balance	\$ 1,000	\$ 1,132

The University budgets for internal cost recoveries in its revenue budget. In these financial statements, internal cost recoveries of \$3,828 are netted against General - Operating Fund expenditures and are not shown as revenue.

The University budgeted for \$516 of transfers from other funds as revenues, while the actual results include these amounts as interfund transfers.

The University does not budget for the change in the early retirement accrual, which reduced expenses on the financial statements by \$2,032.

The University has a policy that allows unspent budget from the prior year to be carried forward and spent in the following year. \$3,233 of prior year's carryforwards were spent in the current year, while \$2,397 of the current approved budget was unspent, and therefore carried forward to 1998/99.

The University purchased \$3,640 of assets with General - Operating Fund revenues. These amounts are included in the expenditure budget. They are not included in expenses, but are instead included as interfund transfers to the Restricted - Capital Asset Fund.

General - Ancillary Fund:

	Budget	Actual
Revenues	\$ 9,331	\$ 7,335
Expenses	(8,981)	(6,948)
Net income (deficit)	350	387
Interfund Transfers	(350)	(1,440)
Change in General - Ancillary Fund Balance	\$ 0	\$ (1,053)

Budgeted General - Ancillary Fund revenues and expenses include internal sales and expenses of \$2,192. This amount was eliminated to avoid double counting of revenues and expenses for the University as a whole.

University of Regina

Notes to the Financial Statements

For the Year Ended April 30, 1998

With comparative figures for 1997
(in thousands of dollars)

The University did not budget for the interfund transfer made to the Restricted - Capital Asset Fund of \$760 which, due to the new accounting policies is needed to fund the increase in the ancillaries' net assets held in the Restricted - Capital Asset Fund.

General - Special Projects Fund:

This fund is budgeted to have no change in fund balance during the year. There was actually a decrease in fund balance during the year of \$190.

Restricted - Capital Asset Fund:

	Budget	Actual
Revenues	\$ 4,350	\$ 5,191
Expenses	(5,594)	(10,245)
Net income (deficit)	(1,244)	(5,054)
Interfund Transfers		4,773
Change in Restricted - Capital Asset Fund Balance	\$ (1,244)	\$ (281)

The Restricted - Capital Asset Fund budget includes amounts for the purchases of capital assets but does not include amortization expense on capitalized assets or transfers of asset purchases from other funds.

Assets totaling \$3,010 purchased with Restricted - Capital Asset Fund money were capitalized and not expensed, while \$7,657 of amortization was expensed. The Restricted - Capital Asset Fund received transfers in of \$5,444 to fund assets purchased in other funds and transferred out \$454 to the General - Ancillary Fund to support that fund's loss on disposal of capital assets and amortization.

Restricted - Research Fund:

This fund is budgeted to have no change in fund balance during the year. There was actually an increase in fund balance during the year of \$671.

Restricted - Trust Fund:

This fund is budgeted to have no change in fund balance during the year. There was actually an increase in fund balance during the year of \$4,667.

University of Regina

Notes to the Financial Statements

For the Year Ended April 30, 1998

With comparative figures for 1997

(in thousands of dollars)

15. Operating Leases

The University currently leases out three buildings. The following table discloses information about these properties. All 1997 numbers are restated, see Note 24.

	ISM Building		2 Research Drive Building		Daycare Building	
	1997	1998	1997	1998	1997	1998
Capital cost	\$ 8,980	\$ 8,980	\$ 1,107	\$ 1,107	\$ 577	\$ 577
Accumulated amortization	1,347	1,571	50	78	42	56
Amortization expense	224	224	23	28	14	14
Outstanding debt	8,629	8,266	1,050	1,005	536	527
Principal & interest paid	1,045	945	122	138	54	54
Lease revenue	965	1,172	98	121	54	50

Operating and capital grants received from the Department of Post-Secondary Education and Skills Training are disclosed separately in the Statement of Operations and Changes in Fund Balances.

Routine operating transactions with Government of Saskatchewan related parties are recorded at the standard or agreed rates charged by those organizations and are settled on normal trade terms. The larger of these expenditures are as follows:

	1998	Restated 1997 (Note 24)
Sask. Power Corporation	\$ 2,564	\$ 2,498
Sask. Energy	191	606
Sask. Telecommunications	532	549
Sask. Property Management Corporation	154	165
University of Saskatchewan	117	122
Sask. Workers Compensation	100	96
Sask. Institute of Applied Science and Technology	70	63
Saskatchewan Centre	53	42

At year end, the University had accounts payable to the above organizations totaling \$273 (1997 - \$378). The University had no significant accounts receivable from these organizations at either year end.

The University is also related to the University of Regina Crown Foundation through representation on the Foundation's Board of Trustees. The Foundation is incorporated under *The Crown Foundation Act* pursuant to Order in Council 842/94 effective December 15, 1994. As an agent of the Crown in right

16. Related Party Transactions

The University receives a significant portion of its revenue from the Government of Saskatchewan and has a number of its Board of Governors members appointed by the Government of Saskatchewan. To the extent that the government exercises significant influence over the operations of the University, all Saskatchewan Crown agencies, such as corporations, boards and commissions, are considered related parties to the University.

of the province, donations to the Foundation qualify under the *Income Tax Act* for a tax credit in the case of individuals and for a deduction in the case of corporations.

The purpose of the Foundation is to receive gifts of real and personal property, including money, and to provide grants and transfers of real and personal property to the University for the purpose of supporting and promoting its education or research activities. As at the end of the year, the Foundation had net assets of \$0 (1997-\$117). The Foundation transferred \$118 (1997 - \$255) to the University during the year.

The University considers itself related to certain other organizations due to its ability to significantly influence their operating, investing or financing policies. Other notes to these financial statements describe the University's relationship, transactions with, and amounts due to/from these other organizations.

17. Operating and Capital Funding

The Saskatchewan Department of Post-Secondary Education and Skills Training provided the University with operating grants totaling \$44,873 (1997 - \$44,649) and capital project grants of \$3,666 (1997 - \$9,419).

18. Wascana Centre Authority

On April 1, 1962, the Wascana Centre Authority was constituted a body corporate under *The Wascana Centre Act*. The Government of Saskatchewan, the City of Regina and the University were named as participating parties. The University has a statutory obligation to the Authority for the cost of landscape construction and landscape maintenance performed on University owned land. Following is information regarding payments made to the Authority as prescribed by the Act.

	1998	Restated 1997 (Note 24)
Maintenance - Authority Land	\$ 257	\$ 249
Maintenance - University Land	213	213
Other miscellaneous payments	116	39
	<u>\$ 586</u>	<u>\$ 501</u>

The University received grants of \$247 (1997 - \$209) from the Department of Post-Secondary Education and Skills Training to help fund the above payments to the Wascana Centre Authority.

The University follows Wascana Centre Authority bylaws when policing its parking lots and meters. The University's tickets are turned over to the City of Regina for collection. The City of Regina sends the ticket revenue to Wascana Centre Authority, who forwards it to the University. During the year, Wascana Centre Authority paid the University \$78 (1997 - \$97) in ticket revenue.

University of Regina

Notes to the Financial Statements
For the Year Ended April 30, 1998
With comparative figures for 1997
(in thousands of dollars)

19. Federated Colleges

Three colleges located on the main campus - Campion College, Luther College and the Saskatchewan Indian Federated College (SIFC) are federated with the University but are financially and administratively independent. Students interested in registering in a federated college must meet the general entrance requirements of the University of Regina. Courses offered by the University and the colleges are open to all students. The University's Board of Governors sets the tuition rates that must be paid by all students. Degrees are granted by the University when students have completed all requirements. The University has agreements with the three colleges that determine how student fees are shared.

The following receipts and receivables resulted from the fee share agreements:

	1998	Restated 1997 (Note 24)
Receipts from Campion College	\$ 1,417	\$ 443
Receipts from Luther College	1,067	870
Receipts from SIFC (Stauffer Fund)	690	0
	<u>\$ 3,174</u>	<u>\$ 1,313</u>
Receivable from Campion College at year end	59	480
Receivable from Luther College at year end	70	72
Receivable from SIFC at year end	447	907
	<u>\$ 576</u>	<u>\$ 1,459</u>

The University also provides other operating services to the colleges such as telephone, audio visual, library book purchasing, printing, and payroll services. The colleges reimburse the University for these services.

The following receipts and receivables resulted from these operating services:

	1998	Restated 1997 (Note 24)
Receipts from Campion College	\$ 340	\$ 384
Receipts from Luther College	500	647
Receipts from SIFC	87	180
	<u>\$ 927</u>	<u>\$ 1,211</u>
Receivable from Campion College at year end	\$ 24	\$ 9
Receivable from Luther College at year end	427	472
Receivable from SIFC at year end	220	117
	<u>\$ 671</u>	<u>\$ 598</u>

University of Regina

Notes to the Financial Statements
For the Year Ended April 30, 1998
With comparative figures for 1997
(in thousands of dollars)

The University holds a number of trust funds on behalf of SIFC and Luther. The University also has other small agreements with the colleges. As a result of these, the University made payments to the colleges during the year as follows:

	1998	Restated 1997
		(Note 24)

Payments to Luther College
Payments to SIFC
Payments to Campion College

\$ 68
476
161

\$ 314
408
1

20. MacKenzie Art Gallery Inc.

The Gallery is custodian of a collection of artwork that is the property of the University. The University provides funding to the Gallery, which can be reduced if the government grant to the University is reduced. The Gallery's Board contains two members appointed by the University. The University holds certain money in trust for the Gallery. Income earned on this money is, from time to time, paid to the Gallery to be used to purchase additional works of art to add to the Collection and for the cleaning and restoration of works comprised in the Collection. The University also provides other operating services to the Gallery such as audio visual, printing, and payroll services. The Gallery reimburses the University for these services.

During the year, the University applied grant money of \$373 (1997 - \$373) against the Gallery's receivable and paid \$3 (1997 - \$0) to the Gallery. The Gallery paid the University \$383 (1997 - \$567) for services rendered.

Amounts payable to and receivable from the Gallery were minimal at each year end.

During the current year, the Gallery gave the University \$560 to invest on their behalf. This amount, plus investment income, is not included in the University's financial statements. The University does not charge the Gallery for this service.

21. Canadian Universities Reciprocal Insurance Exchange

The University of Regina is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE). CURIE pools the property damage and public liability insurance risks of its members. All members pay annual deposit premiums that are actuarially determined and are subject to further assessment in the event members' premiums and reserves are insufficient to cover losses and expenses. No additional assessment was necessary for the current year. As of December 31, 1997, CURIE had a surplus of \$9,400 (1996 - \$8,800). During the year, the University received a payment of \$18 from CURIE.

22. Subsequent Events

On July 30, 1998, the University signed an agreement with the Saskatchewan Opportunities Corporation (SOCO) for the lease of some University property for 99 years for a yearly rental of one dollar.

This leased land is to be used for research and technology development activities and related support services.

23. Uncertainty Due to the Year 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when processing information which uses year 2000 dates. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The University is currently working to resolve the potential effect of computer system failure in the event the University's computer programs fail to properly recognize the year 2000 on or after January 1, 2000. The effect on operations and financial reporting may range from minor errors to significant systems failure that could affect the ability of the University to conduct its operations. The costs of addressing potential problems by modifying, replacing or retiring significant portions of computerized information systems, or by repairing damage caused by system failures, may have a material adverse effect on the University's financial position. Despite the University's efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 problem affecting the University, including those related to the efforts of customers, suppliers and other third parties, will be fully resolved.

24. Changes in Accounting Policy, Presentation and Methods

For its fiscal year ending April 30, 1998, the University adopted the Canadian Institute of Chartered Accountants (CICA) standards for not-for-profit organizations. These standards require the University to retroactively restate its comparative financial statements. In addition, the University corrected a number of errors in its prior year financial statements. The following describes the changes and error corrections:

a) Presentation

The funds of the University have been regrouped to more closely follow the restricted fund method of reporting. The Statement of Operations and Changes in Fund Balances is now presented by object of expenditure rather than by function. Certain comparative figures have been restated to conform with the current year's financial statement presentation.

b) Changes in accounting policy

i) Capital assets

In prior years, purchases of capital assets were initially recorded as expenses in the year of acquisition. These amounts were then recorded as assets, with an equal amount, net of any outstanding debt related to those assets, credited to equity in capital assets. No amortization was recorded, except on Ancillary assets. Furnishings and Equipment were written off in full after 9 years, while buildings would have been written off only upon demolition.

University of Regina

Notes to the Financial Statements
For the Year Ended April 30, 1998
With comparative figures for 1997
(in thousands of dollars)

Under the new requirements set out by the CICA, purchased capital assets are to be capitalized at cost and amortized in a rational and systematic manner over the estimated useful life of the assets.

ii) Accruals for vacation pay and early retirement

In prior years, the University had a policy whereby estimated liabilities for vacation pay and early retirements were accrued with an equal offsetting appropriation, causing them to not be recorded in fund balance. Also, the early retirement liability was not recorded at the present value of future payments.

To comply with the new CICA accounting recommendations, the University is now recording the liability at the present value of estimated future payments and is not recording an appropriation for future year(s) revenues.

iii) Revenue recognition

In prior years, the University followed a policy whereby certain restricted research grants receivable were recognized as revenue only when the expenses took place in order to account for their restricted nature.

Under the new restricted fund accounting method, restricted contributions are recognized in the appropriate restricted fund when received or receivable. The amount of the contributions relating to future expenses is indicated by the amount of the restricted fund balance.

c) Correction of prior year errors

Financial statements of prior years incorrectly included certain revenues in Contributions, gifts, donations and bequests. The University recorded the related accounts receivable as fund balances.

Past financial statements incorrectly recorded investments managed on behalf of a related party as the University's investments. The statements also recorded the income from these investments as University income.

Past financial statement incorrectly recorded amounts as revenues in Contributions, gifts, donations and bequests which should have been deferred to following years. These revenues related to events which had not yet occurred.

The effects of these changes and error corrections have been applied retroactively as follows:

	<u>1998</u>	<u>1997</u>		<u>1997</u>
Fund Balance effect:			Net revenues (expenses) effect:	
Fund Balances and Equity, beginning of year, as previously reported	\$189,185	\$180,174	Net income (deficit), as previously reported	\$(12,253)
Restatements:			Restatements:	
Capital assets			Capital assets - capitalize expenditures	21,587
Accruals at present value	(103,494)	(98,165)	- record amortization and write-off	(5,652)
Revenue recognition - book grants receivable	407	0	Accruals at present value	407
Error correction - correct accounts receivable	1,128	1,030	Revenue recognition - increase Government grants and contracts - Government of Canada	98
- correct investments	229	286	Error correction - increase Contributions, gifts, donations and bequests	747
- correct deferred revenue	(989)	(870)	- decrease Income from investments	(118)
	(952)	(1,757)		
Fund balances, beginning of year, as restated	<u>\$ 85,514</u>	<u>\$ 80,698</u>	Net revenues (expenses), as restated	<u>\$ 4,816</u>

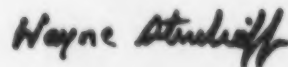
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the consolidated statement of financial position of The University of Saskatchewan as at April 30, 1998, and the consolidated statements of operations and changes in fund balances, and of cash flows for the year then ended. The University's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at April 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
October 15, 1998

Wayne Strelieff, CA
Provincial Auditor

THE UNIVERSITY OF SASKATCHEWAN
Consolidated Statement of Financial Position
As at April 30, 1998
(Thousands of dollars)

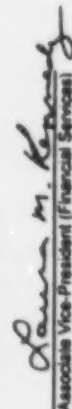
Statement 1

	General	Restricted	Endowment	Total	Restated Total 1997
Current Assets					
Cash and short term investments	\$1,157	\$26,150	\$81	\$27,388	\$108,328
Accounts receivable	13,481	4,117	88	17,686	16,003
Inventories	8,691	0	0	8,691	6,823
Prepaid expenses	739	0	0	739	585
	<u>22,068</u>	<u>30,267</u>	<u>169</u>	<u>52,504</u>	<u>129,538</u>
Long Term Assets					
Deferred costs (Note 3)	2,544	0	0	2,544	3,085
Long term investments (Note 4)	82,978	127,405	568	211,041	93,936
Investment in affiliated entities (Note 5)	432	0	0	432	976
Other assets	588	1,346	0	1,834	1,763
Capital assets (Note 6)	0	282,783	0	282,783	286,005
	<u>86,542</u>	<u>381,624</u>	<u>568</u>	<u>478,734</u>	<u>365,765</u>
	<u>\$108,610</u>	<u>\$421,891</u>	<u>\$737</u>	<u>\$531,236</u>	<u>\$495,334</u>
Current Liabilities					
Accounts payable and accrued liabilities	\$18,186	\$791	\$0	\$18,957	\$14,209
Accrued vacation pay and assisted early retirement benefits	8,859	22	0	8,880	8,295
Unearned fees and other deferred revenue	1,659	48	0	1,707	1,329
Current portion of provision for claims payable	1,408	0	0	1,408	1,160
Current portion of long term debt	0	68	0	68	64
	<u>30,091</u>	<u>929</u>	<u>0</u>	<u>31,020</u>	<u>25,077</u>
Long Term Liabilities					
Long Term Disability Trust Fund - Provision for claims payable	7,850	0	0	7,850	7,759
Long-term debt (Note 7)	0	3,113	0	3,113	3,181
Accrual for assisted early retirement	9,387	46	0	9,433	8,891
Due to other funds	4,785	77,005	(81,760)	0	0
	<u>22,122</u>	<u>80,164</u>	<u>(81,760)</u>	<u>20,466</u>	<u>19,831</u>
	<u>52,213</u>	<u>81,083</u>	<u>(81,760)</u>	<u>51,516</u>	<u>44,808</u>
Fund Balances					
Externally restricted funds	0	75,888	82,527	158,415	130,816
Internally restricted funds	14,764	0	0	14,764	11,949
Invested in capital assets	0	264,910	0	264,910	266,373
Unrestricted funds	41,833	0	0	41,833	41,188
	<u>56,397</u>	<u>340,798</u>	<u>82,527</u>	<u>479,722</u>	<u>450,426</u>
Total Fund Balances	<u>\$108,610</u>	<u>\$421,891</u>	<u>\$737</u>	<u>\$531,236</u>	<u>\$495,334</u>

Approved by the Board of Governors



Chair, Board of Governors



Associate Vice-President (Financial Services)

THE UNIVERSITY OF SASKATCHEWAN
Consolidated Statement of Operations and Changes in Fund Balances
For the Year Ended April 30, 1998
(thousands of dollars)

Statement 2

	General	Restricted	Endowment	Total	Restated Total 1997
Revenues					
Government grants and contracts	\$3,518	\$15,132	\$0	\$18,650	\$25,056
Government of Canada	145,928	27,862	8,401	182,191	159,317
Government of Saskatchewan	4,357	1,548	64	5,969	6,081
Other	45,526	0	0	45,526	42,528
Student fees	10,983	16,842	1,038	28,863	30,573
Gifts, grants and bequests	62,285	(1,278)	0	61,007	58,679
Sales of services and products	10,531	16,220	33	26,784	19,400
Income from investments	1,324	1,936	3	3,263	3,205
Miscellaneous income	284,452	78,262	9,539	372,253	344,839
Expenses					
Salaries - academic	97,788	1,569	0	99,357	85,568
- other	91,989	24,341	0	116,330	115,647
Employee benefits	20,288	2,214	0	22,502	22,569
Operational supplies and expenses	55,023	16,855	2	71,880	57,330
Travel	6,567	2,723	0	9,290	8,652
Cost of goods sold	14,347	0	0	14,347	9,749
Equipment, rental, maintenance and renovations	21,104	5,909	0	27,013	15,003
Utilities	10,779	10	0	10,789	10,962
Amortization	0	21,860	0	21,860	21,884
Scholarships, bursaries and prizes	4,694	1,148	0	5,842	5,843
Interest	0	215	0	215	219
Meewasin Valley Authority levy	0	574	0	574	574
Bad debt expense	0	0	29	29	20
Internal cost recoveries (Note 12)	(51,533)	(4,619)	(919)	(57,071)	(33,206)
Net revenues (expenses)	271,046	72,799	(888)	342,957	320,814
Interfund transfers (Note 13)	13,406	5,463	10,427	29,296	24,025
	(10,146)	(15,627)	25,773	0	0
Net increase (decrease) in fund balances for year	3,260	(10,164)	36,200	29,296	24,025
Fund balances, beginning of year	53,137	350,962	46,327	450,426	426,401
Fund balances, end of year	\$56,397	\$340,798	\$82,527	\$479,722	\$450,426

The accompanying notes form an integral part of these Financial Statements

Statement 3

THE UNIVERSITY OF SASKATCHEWAN
Consolidated Statement of Cash Flows
For the Year Ended April 30, 1998
(thousands of dollars)

	General Total	Restricted Total	Endowment Total	Total 1998	Restated Total 1997
Operating Activities					
Net increase (decrease) in fund balance for year					
Amortization of capital assets	\$3,260	(\$10,164)	\$36,200	\$29,296	\$24,025
Unrealized (gain) loss on investments	0	21,860	0	21,860	21,884
Total decrease (increase) in non-cash working capital	(8,046)	(5,775)	(4)	(13,825)	(6,244)
	2,379	40,393	(38,731)	4,041	(9,027)
Cash generated from (used for) operating activities	(2,407)	46,314	(2,535)	41,372	30,638
Investing Activities					
Purchase of investments (net)	(53,440)	(49,276)	(564)	(103,280)	(17,780)
Investment in subsidiary companies	543	0	0	543	(754)
Purchase of capital assets and library holdings (net)	0	(18,638)	0	(18,638)	(7,620)
Decrease in loan receivable	0	0	0	0	200
Cash (used for) investing activities	(52,897)	(67,914)	(564)	(121,375)	(25,954)
Financing Activities					
Debt financing proceeds (net of repayments)	0	(68)	0	(68)	109
Assisted Early Retirement commitments	496	46	0	542	0
(Increase) decrease in deferred costs	540	0	0	540	(1,434)
Other assets	(28)	(114)	0	(142)	(36)
Long term disability claims	191	0	0	191	700
Cash (used for) financing activities	1,199	(136)	0	1,063	(661)
Net increase (decrease) in cash and short term deposits	(54,105)	(21,736)	(3,099)	(78,940)	4,023
Cash and short term deposits, beginning of year	55,262	47,886	3,180	106,328	102,305
Cash and short term deposits, end of year	\$1,157	\$26,150	\$81	\$27,388	\$106,328

The accompanying notes form an integral part of these Financial Statements

THE UNIVERSITY OF SASKATCHEWAN
 Consolidated Statement of Operations and Changes in Fund Balances - General Funds
 For the Year Ended April 30, 1998
 (thousands of dollars)

Statement 4

	Operating	Ancillary	Specific Purpose	Total
Revenues				
Government grants and contracts	\$0	\$0	\$3,518	\$3,518
Government of Canada	118,592	0	27,336	145,928
Government of Saskatchewan	2,897	0	1,460	4,357
Other	45,526	0	0	45,526
Student fees	0	0	10,983	10,983
Gifts, grants and bequests	13,744	20,660	27,881	62,285
Sales of services and products	3,661	76	6,794	10,531
Income from investments	449	(6)	881	1,324
Miscellaneous income	184,869	20,730	78,853	284,452
Expenses				
Salaries - academic	79,866	0	17,922	97,788
- other	57,382	5,173	29,434	91,989
Employee benefits	16,244	615	3,429	20,288
Operational supplies and expenses	26,577	1,760	26,686	55,023
Travel	2,287	46	4,234	6,567
Cost of goods sold	0	14,306	41	14,347
Equipment, rental, maintenance and renovations	16,855	1,781	2,468	21,104
Utilities	6,335	4,413	31	10,779
Scholarships, bursaries and prizes	1,606	0	3,088	4,694
Internal cost recoveries (Note 12)	(24,395)	(8,791)	(18,347)	(51,533)
Net revenues (expenses)	182,757	19,303	68,986	271,046
Interfund transfers (Note 13)	2,112	1,427	9,867	13,406
	(7,590)	(695)	(1,861)	(10,146)
Net increase (decrease) in fund balances for year	(5,478)	732	8,006	3,260
Fund balances, beginning of year	5,173	6,675	41,289	53,137
Fund balances, end of year	(\$305)	\$7,407	\$49,295	\$56,397

The accompanying notes form an integral part of these Financial Statements

Statement 5

THE UNIVERSITY OF SASKATCHEWAN
 Consolidated Statement of Operations and Changes in Fund Balances - Restricted Funds
 For the Year Ended April 30, 1998
 (thousands of dollars)

	Capital	Research	Trust	Total
Revenues				
Government grants and contracts	\$0	\$15,132	\$0	\$15,132
Government of Canada	10,014	15,848	2,000	27,862
Government of Saskatchewan	0	1,517	31	1,548
Other	0	13,385	3,457	16,842
Gifts, grants and bequests	3	13	(1,294)	(1,278)
Sales of services and products	174	39	16,007	16,220
Income from investments	1,208	347	381	1,936
Miscellaneous income	11,399	46,281	20,582	78,262
Expenses				
Salaries - academic	0	1,510	59	1,569
- other	0	24,336	5	24,341
Employee benefits	0	2,214	0	2,214
Operational supplies and expenses	0	12,663	4,192	16,855
Travel	0	2,702	21	2,723
Equipment, rental, maintenance and renovations	3,468	2,322	119	5,909
Utilities	0	10	0	10
Amortization	21,860	0	0	21,860
Scholarships, bursaries and prizes	0	31	1,117	1,148
Interest	215	0	0	215
Meewasin Valley Authority levy	574	0	0	574
Internal cost recoveries (Note 12)	7	(3,077)	(1,549)	(4,619)
Net revenues (expenses)	26,124	42,711	3,964	72,799
Interfund transfers (Note 13)	(14,725)	3,570	16,618	5,463
	13,262	(3,179)	(25,710)	(15,627)
Net increase (decrease) in fund balances for year	(1,463)	391	(9,092)	(10,164)
Fund balances, beginning of year	266,373	28,364	56,225	350,962
Fund balances, end of year	\$264,910	\$28,755	\$47,133	\$340,798

The accompanying notes form an integral part of these Financial Statements

THE UNIVERSITY OF SASKATCHEWAN
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended April 30, 1998

(THOUSANDS OF DOLLARS)

1. Authority and Purpose

"The University of Saskatchewan" is a corporation operating under the authority of the University of Saskatchewan Act, 1995, Chapter U-6.1 of the Statutes of Saskatchewan. The primary role of the University is to provide post-secondary instruction and research in the humanities, sciences, social sciences, and other areas of human, intellectual, cultural, social and physical development. The University is a registered charity and is therefore exempt from the payment of income tax, pursuant to Section 149 of the Income Tax Act.

2. Summary of Significant Accounting Policies and Reporting Practices

These financial statements have been prepared in accordance with generally accepted accounting principles. The following accounting policies and reporting practices are considered significant:

a) Basis of Consolidation

The consolidated financial statements include the accounts of the following entities:

- University of Saskatchewan Technologies Inc., a wholly-owned subsidiary of the University. The company's mission is to evaluate, protect and exploit University controlled intellectual property.
- Agricol Research Investments Inc., a wholly-owned subsidiary of the University. Through Agricol, the University of Saskatchewan promotes and participates in research, education and technology transfer related to the agriculture industry.
- University of Saskatchewan Crown Foundation, a non-profit entity incorporated under the Crown Foundation Act of Saskatchewan. The Foundation was created for the purpose of receiving gifts of real and personal property and provide transfers of property to the University of Saskatchewan.
- University of Saskatchewan Foundation, a non-profit entity created for the purpose of receiving gifts of real and personal property and provide transfers of property to the University of Saskatchewan. This Foundation has been wound-up subsequent to year end and the net assets transferred to the University of Saskatchewan.

Affiliated entities, which are effectively controlled by the University but not included in the consolidated financial statements are:

- Prairie Swine Centre Inc., a non-profit corporation whose membership is restricted to the members of the Board of Governors of the University of Saskatchewan. The company is engaged in research, education and technology transfer related to pork production in Canada.
- Western Beef Development Centre Inc., a non-profit corporation whose membership is restricted to members of the Board of Governors of the University of Saskatchewan. The mandate of the company is to support the efficient and orderly economic advancement of the Western Canadian beef industry.

b) Use of Estimates

The preparation of financial information requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

c) Fund Accounting

The University follows the restricted fund method of accounting for contributions. Under fund accounting, resources are classified for accounting and reporting purposes into funds in accordance with specified activities or objectives.

The University has classified accounts with similar characteristics into major funds as follows:

- i) **General Funds** are unrestricted and account for the University's program delivery, service and administrative activities. These funds are further classified as Operating, Ancillary and Specific Purpose.

Operating Funds account for the University's function of instruction, including academic support services, administrative services, plant maintenance and other operating activity.

Ancillary Funds provide goods and services to the University community which are supplementary to the functions of instruction, research and service and are expected to operate on at least a break-even basis.

Specific Purpose Funds are designated for specific projects or purposes.

- ii) **Restricted Funds** carry restrictions on the use of resources for particular defined purposes. These funds are further classified as Capital, Research and Trust.

Capital Funds account for the acquisition of capital assets, major renovations and improvements to capital assets.

Research Funds account for activities in support of research.

Trust Funds account for activities that have been stipulated by donors and contributors.

- iii) **Endowment Funds** account for resources received with the stipulation that the original contribution not be spent. The fund also consists of a portion of the investment income earned on these funds that is required by donors and the Board of Governors to be added to the fund to offset the eroding effect of inflation.

d) Inventories

Inventories are valued at the lower of cost and net realizable value which is determined by the first in first out method, with the exception of feedlot cattle. Feedlot cattle are stated at market value.

e) Deferred Costs

The University records deferred costs to account for capital assets acquired by means of internal cash loans from operating funds. Internal loans of this nature occur when it is advantageous for the University to use its own cash resources rather than borrowing or leasing from outside parties.

f) Investments

Short term investments are carried at the lower of cost and market value. Long term investments consist primarily of pooled funds and are carried at market value.

g) Investment in Affiliated Entities

The University of Saskatchewan uses the equity method to account for profit-oriented affiliated entities in which the University of Saskatchewan exercises significant influence, but does not control. Under the equity method of accounting, the investment is initially recorded at cost and the carrying value of the investment is adjusted to recognize the University of Saskatchewan's proportionate share of the net earnings (losses) of the entity.

The University's investment in Biostar Inc. is accounted for on the equity basis. The company's mission is the development, manufacturing and worldwide commercialization of innovative, high-value biological products for the animal health market and to selected human health applications.

Non-profit affiliated entities in which the University of Saskatchewan exercises significant influence, but does not control, and all other investments are recorded at cost less any permanent decline in the value of the investment.

h) Capital Assets

Purchased capital assets are recorded at cost. Donated capital assets are reported at fair market value upon receipt by the University. Amortization expense is reported in the Capital Fund. Capital assets, other than land, are amortized using the straight line method over their estimated useful lives as follows:

Site improvements	20 years
Buildings	40 years
Computers	3 years
Equipment & furnishings	6 to 8 years
Library materials	10 years

i) Donations and Pledges

Donations are recorded as revenue in the fiscal period in which they are received. Gifts-in-Kind, including works of art, equipment, investments and library holdings are recorded at fair market value on the date of their donation.

Pledges made by donors to the University for donations to be received in future years are not recorded in the financial statements.

j) Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund when received. Other restricted revenue is recognized on the completed contract method.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue in the Endowment Fund.

Investment income earned on Endowment Fund resources that must be spent on restricted activities is recognized as revenue of the appropriate restricted fund. Unrestricted investment income earned on Endowment Fund resources is recognized as revenue of the General Fund. Other investment income is recognized as revenue of the General Fund when earned.

k) Fair value

The fair values of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities, and accrued vacation pay approximate their carrying value due to the short term nature of these assets and liabilities.

3. Deferred costs

	1998	1997
Parking development costs, including capital costs for both Reserved Parking and Visitor and Pay Parking - amortized against the Parking Ancillary Enterprise revenues on the basis of the estimated useful life of the particular assets.	\$ 1,587	\$ 1,679
Water conservation costs, including capital costs for the Education and Phys Ed pools make-up water systems and the LINAC equipment cooling system - amortized against the utility expenditures on the basis of estimated annual savings in utility costs.	560	1,044
Ancillary Systems - amortized against the expenditures on the basis of estimated annual savings in costs.	110	128
Food Services development costs including capital costs for Branded Concept facilities - amortized against the Food Services revenues on the basis of the estimated useful life of the particular assets.	287	234
	<u>\$ 2,544</u>	<u>\$ 3,085</u>

4. Long Term Investments

	1998			1997	
	Less than 5 years	5 to 10 years	More than 10 years	Total Fair Value	Total Fair Value
Bonds & Debentures	\$ 94,556	\$ 18,701	\$ 12,587	\$ 125,844	\$ 78,185
Equities					
Canadian	0	0	33,128	33,128	8,268
Foreign	0	0	36,166	36,166	6,854
Other Investments	<u>15,903</u>	<u>0</u>	<u>0</u>	<u>15,903</u>	<u>629</u>
	<u>\$ 110,459</u>	<u>\$ 18,701</u>	<u>\$ 81,881</u>	<u>\$ 211,041</u>	<u>\$ 93,936</u>
market yield	4.7% - 9.0%	5.3% - 11.1%	5.9% - 7.8%		

Investments are placed with government guaranteed securities and well capitalized, high quality financial institutions. By policy the University limits the amount of credit risk exposure in any one type of investment instrument.

5. Investment in affiliated entities

	1998	1997
Investment accounted on the equity basis:		
Biostar Inc.	\$ 147	\$ 679
Investments recorded on the cost basis:		
Saskatchewan Food Industry Development Centre Inc.	0	0
CanEd International Inc.	0	0
Ceapro Inc.	25	25
Ag-Spec Analytical Services Ltd.	260	260
Pharmaderm Laboratories Inc.	0	0
GlobalEd Multimedia Technologies Inc.	0	12
	<u>\$ 432</u>	<u>\$ 976</u>

Investments which have a nominal value are shown with a nil cost.

The following summarizes the financial information of affiliated entities which are effectively controlled by the University, but not included in the consolidated financial statements:

	1998		1997	
	Prairie Swine Centre Inc.	Western Beef Development Centre Inc.	Prairie Swine Centre Inc.	Western Beef Development Centre Inc.
Total Assets	\$ 2,703	\$ 106	\$ 2,545	\$ 34
Total Liabilities	869	49	1,033	26
Total Revenue	2,842	492	2,581	105
Total Expenses	2,521	444	2,248	96
Excess of revenue over expenses	321	48	333	9
Cash Flow from:				
Operating Activities	332	58	491	29
Investing Activities	(330)	(10)	(95)	(1)
Financing Activities	(11)	0	(104)	0
Increase (decrease) in cash	(9)	48	292	28

Included in the accounts of the University are transactions with these affiliated entities, including the following:

	1998	1997
Sales of services and products	\$ 678	\$ 558
Interest income	23	41
Expenditures	178	181
Accounts receivable	71	83
Other Assets	458	558
Accounts payable and accrued liabilities	36	0

6. Capital assets

	1998			1997
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 1,898	\$ 0	\$ 1,898	\$ 1,905
Buildings	341,999	135,820	206,179	208,079
Site improvements	18,132	9,004	9,128	9,060
Computers	46,896	41,515	5,381	6,073
Equipment and furnishings	94,932	81,181	13,751	15,390
Library materials	74,178	47,732	26,446	25,498
	<u>\$ 578,035</u>	<u>\$ 315,252</u>	<u>\$ 262,783</u>	<u>\$ 266,005</u>

7. Long Term Debt

	1998	1997
a) Canada Mortgage and Housing Corp. - 6 7/8% Debentures due May 1, December 1, 2020	\$ 2,791	\$ 2,842

These loans are repayable in equal semi-annual installments of \$123 blended principal and interest and recovered in their entirety from the operating revenues of Ancillary Services

b) Loan payable to the Government of Saskatchewan - General Revenue Fund	390	403
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As part of the original arrangements for repayment of a loan to Canada Mortgage and Housing Corporation, it was agreed that \$600 of the principal portion due would be recovered from the University of Saskatchewan by charges to the Ancillary operations of \$33 per year.

	3,181	3,245
Less amounts payable within one year	(68)	(64)
	<u>\$ 3,113</u>	<u>\$ 3,181</u>

8. Pension Funds

- a) The University is responsible for the administration of the Academic Pension Plan, the Non-Academic Pension Plan and the Clinician's Service Side Pension Plan, all of which are contributory defined benefit, final average pension plans. Actuarial valuations are completed regularly as prescribed by statute and any unfunded pension plan liabilities are the responsibility of the University. The University contributes to the plans on behalf of its employees based on the advice of the plans' actuary with minimum amounts specified in accordance with the plans and in the collective bargaining agreements. The assets, including any potential surplus in the plan, are for the benefit of the members and their beneficiaries. There is no provision that allows the withdrawal of the surplus by the University. The market related value was determined using a five year average of the ratio of market value to book value.

i) Academic Pension Plan

An actuarial valuation of the Pension Plan for the Academic Employees of the University of Saskatchewan as at December 31, 1996, together with an extrapolation of plan liabilities to December 31, 1997, indicates that the fund is in a very strong position to meet its statutory obligations with a total estimated surplus of \$59,727.

	December 31 1997	December 31 1996
Market Related Value of Assets	\$ 519,864	\$ 469,458
Actuarial Present Value of Accrued Pension Benefits	<u>460,137</u>	<u>425,985</u>
Estimated Surplus	<u>\$ 59,727</u>	<u>\$ 43,473</u>

On the advice of the Actuary, and with the approval of the University the surplus in excess of the amount of \$23,306 estimated to be required to be held in the fund as a reserve balance as at December 31, 1997 will be available to improve benefits provided by the plan.

ii) Non-Academic Pension Plan

An actuarial valuation of the Non-Academic Pension Plan as at January 1, 1998 indicates that the plan has a surplus of \$20,388 which is held in a contingency reserve.

	January 1 1998	January 1 1997
Market Related Value of Assets	\$ 138,505	\$ 123,619
Actuarial Present Value of Accrued Pension Benefits	<u>118,117</u>	<u>100,427</u>
Estimated Surplus	<u>\$ 20,388</u>	<u>\$ 23,192</u>

On the advice of the Actuary, and with the approval of the University, a portion of the surplus in excess of the contingency reserve balance of \$11,910 will be available to improve benefits provided by the plan.

iii) Clinician's Service Side Pension Plan

An actuarial valuation of the Clinician's Service Side Pension Plan for the Clinical Employees of the University of Saskatchewan as at December 31, 1995, together with an extrapolation of plan liabilities to December 31, 1997 indicates that the plan has a surplus of \$.884 million which is held in a contingency reserve. On the advice of the actuary, and with the approval of the University, a portion of the surplus in excess of the contingency reserve balance will be available to improve benefits provided by the plan.

- b) The University is also responsible for the administration of the Research Pension Plan, a defined contribution plan. As at December 31, 1997, the plan held assets of \$25,259 offset by obligations to employees of the same amount.

9. Commitments - Capital Fund

The estimated cost of contractual commitments to complete major capital projects in progress as at April 30, 1998 is approximately \$1,346 (1997 - \$523).

10. Gifts-in-Kind and Donation Pledges

Gifts-in-Kind in the amount of \$565 were received and recorded in the year (1997 - \$775). Gifts-in-Kind consist of the following:

	<u>1998</u>	<u>1997</u>
Works of art	\$ 346	\$ 278
Equipment and furnishings	19	107
Investments	85	125
Library holdings	67	60
Other	<u>48</u>	<u>2 05</u>
	<u>\$ 565</u>	<u>\$ 775</u>

Donations pledged but not received as at April 30, 1998 totaled \$6,784 (1997 - \$9,905). These pledges are expected to be honored during the subsequent five year period and will be recorded as revenue when received.

11. General Operating Expenditures

	1998		1997
	Budget	Expenditures	(restated) Expenditures
Agriculture	\$ 7,905	\$ 8,208	\$ 7,772
Arts and Science	33,450	35,357	33,113
Commerce	4,698	4,662	5,095
Dentistry	3,003	3,303	2,885
Education	7,285	7,258	6,995
Engineering	8,286	8,513	8,678
Graduate Studies	657	634	640
Law	2,179	2,182	2,046
Medicine	15,555	15,362	14,844
Nursing	2,418	2,694	2,450
Pharmacy and Nutrition	2,202	2,298	2,201
Kinesiology	2,183	2,300	2,095
Veterinary Medicine	10,401	10,494	10,396
Extension Division	3,164	3,265	2,995
Other Instructional	20,566	20,009	20,093
Administration	49,037	50,064	47,809
Net expenditures for internal reporting purposes	172,989	176,603	170,107
Reclassification of net expenditures, included in College totals above as a recovery or expense, and restated for financial statement purposes:			
External cost recoveries restated as Sales of services and products (Statement 4)	11,134	13,744	6,958
Interfund transfers eliminated for financial statement purposes (Statement 4)	0	(7,590)	(16,430)
Expenditures for financial statement purposes	\$ 184,123	\$ 182,757	\$ 160,635

12. Internal cost recoveries

Sales and services provided by one part of the university to another part are recorded as internal cost recoveries. These recoveries are eliminated from the expenditure activity of the University as follows:

	1998		1997 (restated)	
	Gross Expenditures	Net Recovery	Net Expenditures	Net Expenditures
Salaries - academic	\$ 99,357	\$ (263)	\$ 99,094	\$ 85,320
Salaries - other	116,330	(1,099)	115,231	114,724
Employee benefits	22,502	(16)	22,486	22,503
Operational supplies and expenses	71,880	(35,142)	36,738	38,831
Travel	9,290	(63)	9,227	8,652
Cost of goods sold	14,347	(292)	14,055	9,749
Equipment, rental, maintenance and renovations	27,013	(19,145)	7,868	1,641
Utilities	10,789	(969)	9,820	10,962
Amortization	21,860	0	21,860	21,884
Scholarships, bursaries and prizes	5,842	(35)	5,807	5,805
Interest	215	(47)	168	149
Meewasin Valley Authority levy	574	0	574	574
Bad debt expense	29	0	29	20
Internal cost recoveries	<u>(57,071)</u>	<u>57,071</u>	<u>0</u>	<u>0</u>
	<u>\$ 342,957</u>	<u>\$ 0</u>	<u>\$ 342,957</u>	<u>\$ 320,814</u>

13. Interfund Transfers

During 1997/98, the University transferred the following to the Capital Fund to fund the acquisition of assets: \$7,431 from Operating, \$854 from Ancillary, \$2,769 from Specific Purpose, \$390 from Trust, and \$1,818 from Research.

During the year, \$25,773 was transferred from Trust to Endowment in keeping with the practice of capitalizing a portion of the investment income earned on Endowment funds to offset the eroding effect of inflation.

In addition, the following transfers occurred between funds to properly reflect activity according to the various fund definitions: \$159 was transferred from Operating to Ancillary, \$338 was transferred from Research to Trust, \$115 was transferred from Specific Purpose to Trust, and \$1,023 was transferred from Research to Specific Purpose.

14. Related Party Transactions

The University receives a significant portion of its revenue from the Government of Saskatchewan and has a number of its members to the Board of Governors appointed by the Government. To the extent that the Provincial Government exercises significant influence over the operations of the University, all Saskatchewan Crown agencies such as corporations, boards and commissions are considered related parties to the University.

Revenue amounts received from the Government of Saskatchewan are disclosed separately in the Statement of Operations.

Routine expenditures with these related parties are recorded at the standard or agreed rates charged by these organizations.

Transactions and the amounts outstanding at year-end are as follows:

	1998	1997
Sales of services and products - physicians' billings	\$14,429	\$14,274
Expenditures - Utilities	8,604	8,930
- Other	5,827	5,758
Accounts receivable	4,780	2,895
Long term investments	5,633	8,164
Accounts payable and accrued liabilities	213	692
Deferred revenue	450	61

15. Changes in Accounting Policies

In compliance with the new recommendations of The Canadian Institute of Chartered Accountants, the University has changed its accounting policies regarding capital assets, investments in affiliated entities, and presentation of restricted funds.

a) Capital Assets

Previously capital assets purchased were recorded as expenditures with a corresponding credit to Equity in Capital Assets and no amortization of capital assets was recorded. Under the new recommendations, capital assets are capitalized when purchased and are amortized in the Statement of Operations.

b) Investment in Affiliated Entities

Consolidation of certain affiliated entities which the University effectively controls has been applied retroactively. Previously, these entities were accounted for on the equity basis.

Profit-oriented affiliated entities, over which the University has significant influence but does not control, are accounted for on the equity basis. These entities were previously accounted for on the cost basis.

c) Restricted Fund Presentation

During the year, certain activity was transferred from one fund to another to more accurately reflect compliance with the new definitions of restricted funds of the University. Adjustments to the individual fund balances and changes in fund balances do not have an effect on the total Fund Balance.

During the year the University changed to the pooled method of investing.

d) Long term Investments

Pooling of investments provides greater flexibility in managing the University's resources and allows for a broader investment base which potentially increases investment yields and reduces risk. These investments are accounted for at market value. Previously, all investments were accounted for on the cost basis.

The effect of these changes have been applied retroactively to the financial statements as follows:

	<u>1998</u>	<u>1997</u>
Total Fund Balance, beginning of year as previously reported		
Fund Balance, Appropriated Funds	\$ 21,239	\$ 19,111
Fund Balance, Restricted Funds	151,249	133,479
Equity in Capital Assets	531,744	523,492
Equity in subsidiary companies	<u>1,961</u>	<u>1,884</u>
	706,193	677,966
Restatements:		
a) Capital Assets - capitalize expenditures	25,239	14,501
- record amortization	(294,416)	(273,014)
b) Long Term Investments	11,715	5,574
c) Consolidation of Affiliated Entities	<u>1,695</u>	<u>1,374</u>
As restated	<u>\$ 450,426</u>	<u>\$ 426,401</u>
Net increase (decrease) in Fund Balance		
Appropriated Funds		\$ 2,128
Restricted Funds		17,770
Equity in subsidiary companies		<u>76</u>
As previously reported		19,974
Restatements:		
a) Capital Assets - capitalize expenditures		19,462
-record amortization		(21,872)
b) Long Term Investments		6,141
c) Consolidation of Affiliated Entities		<u>320</u>
As restated		<u>\$ 24,025</u>

16. Comparative Figures

Certain of the prior year comparative figures have been reclassified to conform to the current year's presentation.

17. Uncertainty Due to the Year 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The University is currently working to resolve the potential effect of computer system failure in the event the University's computer programs fail to properly recognize the year 2000 before, on, or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations.

Despite the University's efforts to address this issue, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the University, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Schedule 1

THE UNIVERSITY OF SASKATCHEWAN
Consolidated Statement of Operations by College
All Funds
For the Year Ended April 30, 1998
(unaudited)

	Agriculture	Arts & Science	Commerce	Dentistry	Education	Engineering	Grad Studies	Law	Medicine	Nursing	Pharm & Natl	Technology	Vel Med	Extension	Other Inst	Admin & General	Total
Expenditures																	
University operating budget	7,604,560	33,448,908	6,698,314	3,003,415	7,395,171	8,285,918	657,460	2,178,752	15,355,462	2,417,854	2,201,646	2,162,336	10,400,806	3,164,237	20,546,105	48,037,175	172,985,417
Original budget	487,030	1,878,648	295,587	(31,054)	71,081	215,748	85,274	(8,457)	(144,118)	102,274	42,818	(18,770)	428,078	175,097	1,833,488	(178,588,385)	(172,985,417)
Budget revisions	8,391,360	35,128,554	4,903,811	2,932,381	7,326,252	8,501,722	742,684	2,170,205	15,411,348	2,520,128	2,243,548	2,168,268	10,428,644	3,343,334	22,399,593	(10,981,749)	0
Revised budget	15,995,910	68,577,462	11,602,192	5,904,742	14,721,423	16,787,640	1,400,134	11,040,750	30,610,262	4,939,926	4,445,194	4,331,062	20,829,454	6,507,669	22,945,698	37,055,426	0
Government grants and contracts	2,640,176	6,263,911	139,975	72,771	548,050	1,995,395	128,226	0	3,809,545	159,612	138,682	0	972,836	0	172,836	18,649,631	18,649,631
Grants from Government of Canada	18,588,108	140,889	0	67,688	30,252	283,669	0	15,000	24,260,893	87,583	227,831	28,759	3,750,319	292,294	981,256	133,436,118	162,191,254
Grants from Government of Saskatchewan	374,012	183,951	19,668	6,122	90,765	17,825	0	0	238,900	0	0	0	1,255,796	0	0	5,965,577	5,965,577
Student Fees	4,245,081	1,261,589	217,239	104,748	339,182	1,481,921	448,820	82,208	6,324,734	95,343	0	0	889,054	61,227	212,949	48,526,363	48,526,363
Gifts, grants and bequests	2,154,884	810,090	787,849	759,686	361,389	385,535	33,023	48,319	15,898,591	339,739	132,268	2,279,548	3,626,181	2,138,727	1,533,088	9,903,048	28,864,047
Salaries and benefits	6,822,854	2,444,244	681,154	89,064	501,841	309,145	249,270	2,557,085	137,786	244,032	232,294	927,478	2,895	720,564	7,644,004	61,907,147	61,907,147
Income from investments	548,512	31,046	0	0	6,500	34,508	0	1,343	116,985	0	3,348	109,622	24,832	24,020	840	7,644,004	28,784,352
Miscellaneous income																2,357,949	2,357,949
Expenditures	43,185,209	48,942,054	6,725,720	6,052,716	9,247,321	13,241,098	1,659,988	3,264,433	69,839,179	3,331,181	4,813,291	5,170,316	22,840,938	5,842,597	26,020,326	109,834,118	372,253,766
Revenues																	
Operating revenues	5,527,877	25,245,940	3,944,452	1,806,627	5,722,647	5,720,657	608,845	1,707,163	26,647,618	2,119,096	1,507,829	1,502,982	6,890,296	3,844,523	0	7,650,964	99,357,636
Grants from Government of Canada	11,175,878	10,188,878	951,089	872,533	1,984,015	4,607,210	329,987	493,206	25,654,964	518,440	1,191,033	1,575,344	5,894,332	30,539	12,818,585	38,937,871	116,330,493
Grants from Government of Saskatchewan	1,807,275	4,642,214	557,583	305,544	708,772	1,091,099	48,587	234,845	4,300,500	318,047	290,048	342,541	1,326,916	384,807	2,316,349	4,387,824	22,502,189
Operating revenues	6,852,401	4,546,173	764,822	752,460	938,760	1,451,129	123,951	585,876	14,583,687	265,110	727,225	1,276,835	4,842,817	5,535,047	4,908,147	27,678,022	79,451,082
Operating supplies and expenses	771,086	1,527,870	1,686,824	57,762	323,687	471,846	47,934	78,103	2,224,608	68,275	117,583	396,884	202,457	390,666	1,147,736	1,080,546	9,290,787
Cost of goods sold	2,288,954	2,017,570	90,838	311,165	158,008	1,373,487	27,520	41,831	2,017,612	52,732	82,568	237,710	1,281,466	227,977	7,134,234	8,681,251	27,013,044
Equipment rental, maintenance and renovations	64,540	7,832	214	0	0	84	0	0	19,483	0	0	32	38,752	0	55,884	10,600,116	10,600,116
Utilities	210,643	162,578	78,659	9,081	64,613	112,823	0	75,180	145,648	22,864	38,546	32,428	126,398	12,977	49,037	27,680,790	27,680,790
Amortization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Scholarships, bursaries and prizes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minimum valley authority levy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net deficit expense	(2,561,179)	(2,108,673)	(1,776,568)	(17,103)	(187,849)	(1,116,873)	(2,681,963)	(388,564)	(8,193,181)	(93,665)	(168,783)	(381,600)	(1,783,734)	(872,064)	(5,861,638)	(29,619,702)	(57,879,485)
Net deficit recoveries	25,447,486	45,620,470	5,832,008	4,188,118	8,798,673	13,071,227	789,550	2,827,640	67,441,824	3,328,889	3,878,053	4,982,368	18,722,402	5,455,262	22,539,316	108,686,648	341,529,872
Net (revenue) expense	17,117,723	443,584	882,814	(145,403)	537,648	168,862	870,448	2,436,795	2,486,255	4,302	737,148	168,210	3,364,534	407,399	3,481,010	(2,862,511)	30,723,834
Earnings (losses) of affiliated entities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(1,427,068)	0
Interfund transfers	81,600	44,934	220,284	(41,326)	(6,229)	(15,253)	0	53	(17,582)	0	(8,000)	0	415,178	(17,862)	(54,138)	(608,714)	29,296,165
Contingency account adjustments	17,798,337	487,818	1,173,088	(186,726)	531,430	154,589	870,448	2,438,848	2,486,083	4,302	731,148	168,210	3,373,712	395,533	3,426,872	(4,898,944)	0
Transfers	(161,388)	(348,044)	(53,724)	(17,664)	(20,446)	(181,644)	0	(27,872)	(238,874)	(28,118)	(18,482)	(20,000)	(150,541)	(78,487)	(2,328,487)	(1,382,163)	(5,108,859)
Transfer revenue clearing	258,372	646,093	345,576	26,218	13,625	13,625	0	(23,418)	(18,820)	71,848	73,341	255,482	581	63,587	1,730,598	1,961,908	0
Other adjustments	(11,010)	(11,010)	0	0	0	0	2	2,810	(1,420)	78,101	358	12,842	578	(24,018)	(107,587)	1,709,598	0
Net (increase) decrease in fund balances for year	68,843	142,816	35,248	51,852	134,521	64,827	1,947	42,180	487,208	6,549	20,192	25,771	81,813	1,468	98,587	243,073	1,523,473
Fund balances, beginning of year	36,172,384	14,575,785	2,994,508	932,120	3,215,377	5,847,873	1,059,689	8,185,260	25,420,730	763,298	1,482,978	1,113,521	7,230,780	965,933	5,082,549	335,387,845	450,429,478
Fund balances, end of year	54,143,281	15,517,361	4,438,564	808,268	3,878,567	6,041,587	1,932,086	10,615,540	28,064,271	888,978	2,311,522	1,575,978	10,824,843	1,322,543	6,180,526	331,000,460	479,722,641

The accompanying notes form an integral part of these Financial Statements.

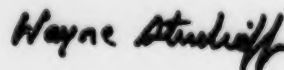
AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the statement of net assets available for benefits of the Judges of the Provincial Court Superannuation Plan as at March 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at March 31, 1999 and the changes in the net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
May 12, 1999

Wayne Strelloff, CA
Provincial Auditor

STATEMENT 1

JUDGES OF THE PROVINCIAL COURT SUPERANNUATION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT MARCH 31

	1999	1998
ASSETS		
Investments		
Due from General Revenue Fund (Notes 6 & 7)	\$ 94,960	\$ 127,385
Cash and short-term investments	730,355	509,766
Bonds and debentures	4,456,103	4,131,404
Equities	3,330,856	3,838,512
Pooled Funds	<u>894,643</u>	<u>455,564</u>
	9,506,917	9,062,631
Receivables (Note 7)		
Employees' contributions	18,631	18,807
Accrued investment income	72,508	66,469
Other	<u>5,660</u>	<u>4,115</u>
Total assets	<u>9,603,716</u>	<u>9,152,022</u>
LIABILITIES		
Accounts Payable (Note 7)	<u>17,973</u>	<u>10,743</u>
Total liabilities	<u>17,973</u>	<u>10,743</u>
NET ASSETS AVAILABLE FOR BENEFITS (Statement 2)	<u>\$9,585,743</u>	<u>\$9,141,279</u>

See accompanying notes to the financial statements.

STATEMENT 2

JUDGES OF THE PROVINCIAL COURT SUPERANNUATION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED MARCH 31

	1999	1998
INCREASE IN ASSETS		
Investment income		
Interest	\$ 304,951	\$ 285,280
Dividends-Equities	52,822	76,617
Dividends-Pooled Funds	15,079	7,280
Other	<u>2,895</u>	<u>2,124</u>
	375,747	371,301
Market value adjustment	35,824	1,687,300
Contributions by judges	224,629	216,142
Deficiency payment from General Revenue Fund (Note 4)	<u>1,352,679</u>	<u>1,141,115</u>
Total increase in assets	<u>1,988,879</u>	<u>3,415,858</u>
DECREASE IN ASSETS		
Administration expenses (Notes 8 & 10)	78,398	65,384
Superannuation allowances		
Magistrates' Court Act	166,554	185,074
Provincial Court Act	<u>1,299,463</u>	<u>1,067,910</u>
Total decrease in assets	<u>1,544,415</u>	<u>1,318,368</u>
INCREASE IN NET ASSETS	444,464	2,097,490
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	<u>9,141,279</u>	<u>7,043,789</u>
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR - to Statement 1	<u>\$9,585,743</u>	<u>\$9,141,279</u>

See accompanying notes to the financial statements.

JUDGES OF THE PROVINCIAL COURT SUPERANNUATION PLAN NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1999

1. Description of the Plan

a) General

The Judges of the Provincial Court Superannuation Plan was established on October 1, 1978 under *The Provincial Court Act* (Act) (continued as *The Provincial Court Act, 1998*) to provide defined benefit final average pensions to the Judges of the Provincial Court of Saskatchewan.

The Act also established the Judges of the Provincial Court Superannuation Fund to accumulate all contributions paid by judges, any investment income and payments received from the General Revenue Fund. Pensions, annuities, supplementary allowances, refunds and interest are paid out of the Fund.

Further plan details are contained in the Act, and the related regulations.

b) Administration

The Minister of Finance administers the Judges of the Provincial Court Superannuation Fund and is responsible for the investment of the Fund. Day-to-day administration is provided by the Public Employees Benefits Agency.

c) Funding Policy

Judges contribute 5% of salary each year.

d) Retirement

The normal retirement age is 65. Judges appointed under *The Magistrates' Courts Act* retire at age 70.

e) Pension

The annual pension payable to a superannuated judge is 3% of the average salary received by the judge during the judge's highest three years of salary, multiplied by the total number of years of service for which the judge has contributed. The maximum number of years of service is 23 1/3 years.

f) Refunds of Contributions

A judge who retires, resigns or is removed from office and who is not entitled to receive a pension, is entitled to receive a refund of contributions together with interest.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following policies are considered significant.

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Investments

Investments in bonds and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.

Short-term investments are recorded at cost which approximates market value.

Pooled funds are recorded based on the quoted market price of the underlying investments, normally the current bid price.

The change in market value of investments during the year is reflected on the financial statements as a market value adjustment.

Fair value approximates the market value of investments.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as Canadian equities, pooled funds, money market securities, and bonds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation.

b) Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service and/or the Canadian Bond Rating Service.

Short-Term Investments

Short term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 4.7% to 4.9% (1998 - 4.5% to 4.9%) and an average term to maturity of 104 (1998 - 34) days. The Plan's investment policy states that investments must meet a minimum investment standard of "R-1", as rated by a recognized credit rating service or "R-2" for Canadian Grain Co's. Other than the Government of Canada, no single issuer represents more than 17.7% (1998 - 20.4%) of the market value of the short term investment portfolio.

Bonds and Debentures

The Plan's investment policy states that corporate bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. BBB rated corporate bonds cannot exceed 9% of the book value of the total portfolio. As at March 31, 1999, the Plan held 0.9% (1998 - 3.2%) in BBB corporate bonds.

Years to Maturity	1999						1998		
	Federal	Provincial	Corporate	Total Market Value	Yield to Maturity at Market	Coupon Rate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	\$ 1,369,365	\$ 197,453	\$ 333,448	\$1,900,264	4.5-7.3%	4.5-8.0%	\$1,704,102	5.0-9.3%	4.9-9.9%
5 - 10	288,162	430,875	249,580	968,617	5.4-7.4%	5.5-8.8%	1,050,380	5.9-7.5%	6.0-8.0%
Over 10	1,164,687	314,073	108,462	1,587,222	5.3-6.9%	5.5-10.3%	1,376,922	5.5-7.0%	5.5-10.3%
Market Value	\$ 2,822,214	\$ 942,401	\$ 691,488	\$4,456,103			\$4,131,404		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

The Plan's equities include common shares that have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis. The average effective rate is 1.47%.

The Plan's investment policy allows no one holding to represent more than 10% of the market value of the portfolio and no one holding to represent more than 10% of the common stock in any corporation. Foreign equities represent 9.9% (1998 - 10.9%) of the market value of the Plan. All foreign equities are denominated in Canadian dollars.

Pooled Funds

The Plan holds units in pooled funds which have no fixed interest rate and its returns are based on the success of the fund manager.

Foreign equities including foreign pooled funds are limited to 20% of the cost of the investment portfolio and are denominated in Canadian dollars. The Plan's pooled funds are comprised of \$800,996 (1998 - \$363,019) in the Greystone Managed Investments Non-North American Fund and \$93,647 (1998 - \$92,545) in the Greystone Managed Investments Emerging Market Fund.

4. Deficiency Payment from the General Revenue Fund

Section 22 of *The Provincial Court Act, 1998* provides that annuities being paid under *The Magistrates' Courts Act* shall be paid out of the Judges of the Provincial Court Superannuation Fund (Fund). A judge of the Magistrates Court may elect to receive an annuity to which he/she was entitled under *The Magistrates' Courts Act* rather than contributing to the Fund and receiving benefits as determined by *The Provincial Court Act, 1998*. Accordingly, the annuities which are now or will become payable under *The Magistrates' Courts Act* are considered to be a deficiency and the Fund is reimbursed by way of a statutory appropriation from the General Revenue Fund each year. Also considered as a deficiency for administrative purposes are any amounts payable under *The*

Provincial Court Act, 1998 to superannuates which are in excess of an individual's accumulated contributions, and payments from the General Revenue Fund are increased accordingly. In addition, lump sum contributions may be received from the General Revenue Fund to reduce any unfunded liability.

	<u>1999</u>	<u>1998</u>
Deficiencies - <i>The Magistrates' Courts Act</i>	\$ 166,554	\$ 185,074
- <i>The Provincial Court Act</i>	<u>1,186,125</u>	<u>956,041</u>
	<u>\$1,352,679</u>	<u>\$1,141,115</u>

5. Obligations for Pension Benefits

The present value of accrued pension benefits was determined using the projected accrued benefit method pro rated on service and the best estimate assumptions approved by the Public Employees Benefits Agency. An actuarial valuation was made as of December 31, 1996 by William M. Mercer and an extrapolation was made to March 31, 1998 and March 31, 1999.

The actuarial present value of benefits as at March 31 and the principal components of changes in actuarial present values during the year were as follows:

	(in thousands of dollars)	
	<u>1999</u>	<u>1998</u>
Actuarial present value of accrued pension benefits at beginning of year	\$ 32,990	\$ 26,176
Change in liabilities due to Plan amendments *	-	4,742
Interest accrued on benefits	2,339	2,199
Benefits accrued	1,177	1,157
Benefits paid	(1,466)	(1,253)
Adjustments re: indexing - current year **	<u>(24)</u>	<u>(31)</u>
Actuarial present value of accrued pension benefits, end of year	35,016	32,990
Net assets available for benefits	<u>9,586</u>	<u>9,141</u>
Unfunded liability	<u>\$ 25,430</u>	<u>\$ 23,849</u>

* Plan amendments reflect the impact of, the new *The Provincial Court Act, 1998* and a Letter of Intent between the Minister of Justice and the Saskatchewan Provincial Court Judges Association. The letter of intent is to obtain legislative approval through establishment of Regulations under *The Provincial Court Act, 1998*.

** Actual ad hoc indexing awarded in January 1, 1999 by Order in Council 244/99 was 1.61% instead of expected 50% of inflation, i.e., 1.75%.

The significant long term assumptions used in determining the actuarial value of accrued pension benefits are as follows:

- * interest rate is 7.0%
- * salary escalation rate is 5.0%
- * inflation rate is 4.0%

The actuarial present value of accrued pension benefits contains a provision for ad hoc increases which are subject to Lieutenant Governor in Council approval. The ad hoc assumption is 50% of CPI based on previous year's experience. The Lieutenant Governor in Council may provide for supplementary allowances to be paid to superannuates in any year, in any amount and subject to any terms and conditions he considers advisable.

The pension liability is long-term in nature. The plan has no intention of settling its pension obligation in the near term and there is no market for settling its pension obligations. Therefore, determination of the fair value of the pension liability is not practical.

The pension liability is based on a number of assumptions about future events including: salaries, interest rate, inflation, post-retirement indexing, mortality, retirement rates and termination rates. The actual rates may vary significantly from the long-term assumptions used.

The following illustrates the effect on the pension liability if the assumptions used in estimating the liabilities change:

Long-term Assumptions								
	Salary		Interest Rate		Inflation		Post-retirement Indexing	
Assumptions	4.0%	6.0%	6.0%	8.0%	3.0%	5.0%	1.5%	2.5%
(Decrease) increase in liability	(1.6%)	1.5%	13.2%	(10.8%)	(5.6%)	6.3%	(4.1%)	4.7%

The unfunded liability for the Plan is not payable immediately. The expected cash inflows from contributions and investment income and the expected cash outflows to pay the required pension obligation are calculated using the above assumptions. The net cash outflows for the next 5 years would be \$6.5 million, in the next 10 years \$16.2 million and in the next 28 years \$95.3 million.

If there are insufficient monies in the Fund to pay allowances or other payments, the Minister of Finance is obligated to pay any such deficiency out of the General Revenue Fund.

6. Due from General Revenue Fund

The Judges of the Provincial Court Superannuation Fund Bank Account is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

The earned interest on the bank account is calculated and paid from the General Revenue Fund on a quarterly basis into the bank account using the Government's thirty day borrowing rate and the average daily bank account balance.

7. Due from General Revenue Fund/Receivables/Payables

These financial instruments are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the fair value of these financial instruments approximates their carrying value.

8. Related Party Transactions

a) Administration

Expenses associated with administering the Plan are paid out of the Fund to the Public Employees Benefits Agency Revolving Fund.

b) Investment Management Services

Greystone Capital Management Inc. (GCMi) provides investment management services to the Fund on a fee for service basis. The Fund is a shareholder in GCMi along with several other Saskatchewan public sector pension plans and other Government of Saskatchewan agencies. The Fund holds 1,341 common shares, 0.14% of the total shares outstanding in GCMi (1998 - 100 Class A shares and 1,197 Class B shares). During the year, the Class A and Class B shares were converted to common shares.

c) Investment Holding

Included in the totals for bonds and debentures are Province of Saskatchewan bonds and debentures of \$248,866 (1998 - \$149,614). Income earned on these bonds and debentures for the year totalled \$13,244 (1998 - \$11,553).

The Fund holds 56,022 (1998 - 28,233) units, 0.13% (1998 - 0.07%) of total units outstanding in the Greystone Capital Non-North American Fund. The market value of these units is \$800,996 (1998 - 363,019). Income earned and market value adjustment for these units for the year totalled \$67,977 (1998 - \$74,867).

The Fund also holds 11,431 (1998 - 9,199) units, 0.11% (1998 - 0.09%) of total units outstanding in the Greystone Capital Emerging Markets Fund. The market value of these units is \$93,647 (1998 - \$92,545). Income earned and market value adjustment for these units for the year resulted in a loss of \$15,797 (1998 - loss \$2,887).

The unitholders of the Greystone Capital Non-North American Fund and the Greystone Capital Emerging Market Fund include several Government of Saskatchewan public sector pension plans and other Government of Saskatchewan agencies.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms. Other transactions are disclosed separately in these financial statements.

9. Investment Performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long term performance objectives set by the Minister. The Public Employees Benefits Agency reviews the investment performance of the plan in terms of the performance of the benchmark portfolio over four-year rolling periods. The primary long term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

	<u>1999</u>	<u>Rolling Four Year Average Annual Return</u>
Plan's actual rate of return (a)	4.6%	16.1%
Target rate of return (b)	2.8%	14.2%

(a) annual returns are before deducting investment expenses.

(b) The Plan's target rate of return for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange 300 Index, Standard & Poors 500 US Stock Index and the Scotia Capital Markets Universe Bond Index.

10. Administrative Expenses

	<u>1999</u>	<u>1998</u>
Administration - PEBA Revolving Fund	\$ 42,838	\$ 35,939
Custodian Fees - Royal Trust	13,936	16,858
Investment management fees - Greystone Capital Management Inc.	<u>21,624</u>	<u>12,587</u>
	<u>\$ 78,398</u>	<u>\$ 65,384</u>

The budget for administration - PEBA Revolving Fund was \$39,696 for the year (1998 - \$26,083). Custodian and investment management fees are based on the market value of the Fund's portfolio.

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits of the Liquor Board Superannuation Plan as at December 31, 1998 and the statement of changes in net assets available for benefits for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 1998 and the changes in the net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
February 26, 1999

Wayne Strelchiff
Wayne Strelchiff, CA
Provincial Auditor

LIQUOR BOARD SUPERANNUATION COMMISSION**STATEMENT 1****LIQUOR BOARD SUPERANNUATION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS****AS AT DECEMBER 31**

	1998	1997
ASSETS		
Investments		
Due from General Revenue Fund (Note 5)	\$ 17,128	\$ 102,522
Cash and short term investments	925,545	512,034
Bonds and debentures	6,917,548	6,773,007
Equities	4,340,598	4,720,424
Pooled Funds	<u>2,282,817</u>	<u>2,311,321</u>
	<u>14,483,636</u>	<u>14,419,308</u>
Receivables		
Employees' contributions	14,336	12,683
Employer's contributions	65,843	339,069
Accrued investment income	92,631	117,721
Other	<u>866</u>	<u>12,478</u>
Total assets	<u>14,657,312</u>	<u>14,901,259</u>
LIABILITIES		
Administration expenses payable	17,824	11,797
Other payables	<u>33,584</u>	<u>1,112</u>
Total liabilities	<u>51,408</u>	<u>12,909</u>
NET ASSETS AVAILABLE FOR BENEFITS (Statement 2)	<u>\$14,605,904</u>	<u>\$14,888,350</u>

(See accompanying notes to the financial statements.)

LIQUOR BOARD SUPERANNUATION COMMISSION**STATEMENT 2****LIQUOR BOARD SUPERANNUATION PLAN****STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS****YEAR ENDED DECEMBER 31**

	1998	1997
INCREASE IN ASSETS		
Investment income		
Interest	\$ 490,191	\$ 603,512
Dividends	70,234	53,686
Pooled Funds-Dividends	334,817	218,543
Other	<u>6,503</u>	<u>5,091</u>
	901,745	880,832
Market value adjustment	480,252	988,452
Contributions		
Employees'	174,266	166,146
Employer's	<u>1,215,935</u>	<u>1,937,250</u>
Total increase in assets	<u>2,772,198</u>	<u>3,972,680</u>
DECREASE IN ASSETS		
Superannuation allowances	2,946,668	2,996,835
Administration expenses (Note 8)	103,200	97,227
Refunds and transfers		
Contributions	-	1,837
Interest	-	4,523
Superannuates/estates	<u>4,776</u>	<u>2,128</u>
Total decrease in assets	<u>3,054,644</u>	<u>3,102,550</u>
(Decrease) increase in net assets	(282,446)	870,130
NET ASSETS AVAILABLE FOR BENEFITS, beginning of year	<u>14,888,350</u>	<u>14,018,220</u>
NET ASSETS AVAILABLE FOR BENEFITS, end of year - to Statement 1	<u>\$14,605,904</u>	<u>\$14,888,350</u>

(See accompanying notes to the financial statements.)

LIQUOR BOARD SUPERANNUATION COMMISSION

LIQUOR BOARD SUPERANNUATION PLAN NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

1. Description of the Plan

a) General

The Liquor Board Superannuation Plan is a defined benefit final average pension plan established under *The Liquor Board Superannuation Act*. Membership is comprised of employees and Board members who were enrolled on October 1, 1977 and who did not elect to transfer to the Public Employees Pension Plan prior to October 1, 1978. Complete Plan details are contained in *The Liquor Board Superannuation Act*.

b) Administration

The Liquor Board Superannuation Commission administers the Plan. Day-to-day administration is provided by the Public Employees Benefits Agency.

c) Superannuation Fund

The Act also established the Liquor Board Superannuation Fund to account for all transactions of the Plan.

d) Funding Policy

Members contribute at the rate of 7%, 8% or 9% of salary depending on their age at the date of commencement of employment. Contributions are reduced by an amount equal to deemed Canada Pension Plan contributions. The employer contributes a fixed percentage of the members' contributions as necessary to fund the benefits provided by the Plan. This rate is set periodically by the Commission on the advice of the Actuary.

e) Retirement

Normal retirement is at age 65. Employees may retire earlier under certain conditions.

f) Pensions

Annual pensions are calculated as 2% of a member's average salary during the five years of highest salary, multiplied by the total number of years of service to a maximum of 35. At age 65, members' pensions are reduced due to integration with the Canada Pension Plan.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant.

a) Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

b) Investments

Investments in bonds, debentures and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers. In the absence of recorded sales, reference is made to closing year end bid and ask prices.

Pooled funds are valued based on the net asset value per unit on the last valuation date.

Short term investments are valued at cost which approximates market value.

The change in the market value of investments during the year is reflected on the financial statements as a market value adjustment.

Fair Value approximates the market value of investments.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures, and investment returns into assets such as Canadian equities, pooled funds, money market securities, and bonds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

b) Credit Risk

Credit risk arises from the potential for an investee to fail or for an issuer to default on its contractual obligations to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service and/or the Canadian Bond Rating Service.

Short Term Investments

These investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 4.6% to 5.1% (1997 - 3.3% to 4.4%) and an average term to maturity of 124 (1997 - 49) days. The Plan's investment policy states that investments must meet a minimum investment standard of "R-1" rating and Canadian Grain Companies with an "R-2 high", as rated by a recognized credit rating service. Other than Government of Canada no single issuer represents more than 20.6% of the market value (1997 -10.2%) of the short term investment portfolio.

Bonds and Debentures

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. No more than 12% of the bond portfolio may be invested in BBB rated bonds. As at December 31, 1998, the Plan held 1.6% (1997 - 3.7%) of its portfolio in BBB bonds.

Years to Maturity	1998						1997		
	Federal	Provincial	Corporate	Total Market Value	Yield to Maturity at Market	Coupon Rate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	\$2,311,994	\$ 465,442	\$ 575,329	\$3,352,765	4.9-7.7%	4.9-8.5%	\$2,882,895	5.0-8.0%	4.9-9.1%
5 - 10	1,230,174	548,908	418,098	2,195,180	5.4-7.3%	5.5-8.8%	1,782,576	6.0-7.8%	6.0-9.2%
Over 10	735,331	447,494	186,778	1,369,603	5.3-8.6%	5.5-8.5%	2,107,538	5.8-8.8%	5.8-8.5%
Market Value	\$4,277,499	\$1,459,844	\$1,180,205	\$6,917,548			\$6,773,007		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

	Market Value	
	1998	1997
Common shares - Canadian	\$4,228,177	\$4,607,424
Private Equity	<u>112,421</u>	<u>113,000</u>
	<u>\$4,340,598</u>	<u>\$4,720,424</u>

The Plan's investment policy allows no one holding to represent more than 10% of the fair value of the portfolio and no one holding to represent more than 10% of the common stock in any corporation.

Pooled Funds

The Plan limits its investments in pooled equity funds to 10% of the fair value of each fund. Foreign equities including foreign pooled funds are limited to 20% of the cost of the investment portfolio and are denominated in Canadian dollars. The Plan's pooled funds are comprised of the Greystone Managed Investments Ltd. Global Fund.

4. Unfunded Liability

An actuarial valuation of the Liquor Board Superannuation Plan was performed as at December 31, 1996 and extrapolated to December 31, 1997 and December 31, 1998 by William M. Mercer Ltd. The actuary used the projected benefit method prorated on services to determine actuarial present value of accrued pension benefits.

The principal components of change in the actuarial present values as at December 31 are as follows:

	1998 (\$ thousand)	1997 (\$ thousand)
Actuarial present value of accrued pension benefits, beginning of year	\$38,842	\$38,805
Experience (gain)	(81)	-
Interest accrued on benefits	2,647	2,641
Benefits accrued and members transferred in	429	401
Benefits paid	(2,951)	(3,005)
Actuarial present value of accrued pension benefits at the end of the year	38,886	38,842
Net assets available for benefits (Statement 1)	14,606	14,888
Excess of actuarial present value of accrued pension benefits over net assets available for benefits	\$24,280	\$23,954

The pension liability is based on a number of assumptions about future events including: interest rate, rate of salary increase, mortality, retirement rates and inflation. The actual rates may vary significantly from the long-term assumptions used.

Significant long term actuarial assumptions used in the valuation were:

General salary increases are expected to be 4.5% in 1998 increasing by 1/2% each year to be 5.0% in 1999 and thereafter.

The inflation rate for 1998 is expected to be 3.5% increasing by 1/2% each year to be 4.0% in 1999 and thereafter.

Interest rate is 7.0% for 1998 and thereafter.

The following illustrates the effect of changing certain assumptions from assumed rates of: inflation 4.0%, salary 5.0%, interest rate 7.0% and post retirement indexing 2.0%.

Long Term Assumptions								
Inflation		Salary		Interest		Post-retirement Indexing		
3.0%	5.0%	4.0%	6.0%	6.0%	8.0%	1.5%	2.5%	
(Decrease)	Increase	in liability	(5.8%)	6.4%	(2.1%)	2.3%	12.2%	(10.0%)
						(3.8%)	4.0%	

The actuarial present value of accrued pension benefits contains a provision for ad hoc increases as they are subject to Lieutenant Governor in Council approval. The ad hoc assumption is 50% of CPI based on previous year's experience. The Lieutenant Governor in Council may provide for supplementary allowances to be paid to superannuates in any year, in any amount and subject to any terms and conditions he considers advisable. An increase of 1.25% granted effective April 1, 1998 has been reflected in the valuation.

The unfunded liability is not payable immediately. The cash inflows from contributions and investment income and the cash outflow to pay the required pension obligation are calculated using the above assumptions. The cash outflows in the next 5 years would be \$14.7 million, in the next 10 years \$29.2 million and in the next 28 years \$97.4 million. If there are insufficient monies in the

Fund to pay allowances or other payments, the Liquor and Gaming Authority is obligated to pay any such deficiency to the Fund. The Liquor and Gaming Authority plans to provide an amount of employer contributions such that cash inflows will equal cash outflows.

The unfunded liability could be funded if payments of approximately \$2,666,000 were made each year for 15 years assuming an interest rate of 7%.

5. Due From General Revenue Fund

The Liquor Board Superannuation Plan bank account is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the Plan's average daily bank account balance.

6. Related Party Transactions

a) Administration

The operating expenses associated with administering the Plan are paid out of the Fund to the Public Employees Benefits Agency Revolving Fund except for custodial and investment management fees which are paid directly. In 1998, expenses for administration made to the Public Employees Benefits Agency Revolving Fund totalled \$71,065 (1997 - \$69,197).

b) Investment Management Fees - Greystone Capital Management Inc.

The Plan is a shareholder in GCMI along with several other Government of Saskatchewan public sector pension plans and other Government of Saskatchewan agencies.

At December 31, 1997 the Plan held 1,986 Class B shares, 0.21% of the total shares outstanding and 100 Class A shares, 1.0% of the total outstanding. During 1998 the Class A and Class B shares were consolidated into common shares on a one to one basis. The Plan holds 2,007 common shares, 0.21% of the total outstanding.

Under provisions of the investment management agreement, responsibility for the investment management of the assets of the Plan was undertaken by GCMI and the Fund simultaneously became subject to the investment management fees levied by GCMI.

c) Greystone Managed Investments Ltd. Global Fund (Global Fund)

The Plan holds 155,083 (1997 - 170,703) units, 7.4% (1997 - 4.8%) of the total units outstanding in the Global Fund. The market value of the Plan's units is \$2,282,817 (1997 - \$2,311,321). The income and market value adjustment totalled \$513,997 (1997 - \$320,396). The Global Fund is an investment fund investing in foreign markets which is managed by Vontobel USA Inc. for Greystone. The unitholders of the Global Fund are several Government of Saskatchewan public sector pension plans and other Government of Saskatchewan agencies.

The Plan holds investments in bonds and debentures of the Province of Saskatchewan at December 31, 1998 of \$135,942 (1997 - Nil).

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms.

7. Investment Performance

The investment manager makes day to day decisions on whether to buy or sell investments in order to achieve the long term performance objectives set by the Commission. The Commission reviews the investment performance of the plan in terms of the performance of the benchmark portfolio over 4 year rolling periods. The primary long term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

	<u>1998</u>	<u>Rolling Four Year Average Annual Return</u>
Plan's actual rate of return (a)	9.5%	13.8%
Target rate of return (b)	9.1%	12.6%

- (a) The annual returns are before deducting investment expenses.
- (b) The Plan's target rate of return for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange 300 Index, Morgan & Stanley Canadian Index-World and the Scotia Capital Markets Universe Bond Index.

8. Administration Expenses

	<u>1998</u>		<u>1997</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Administration - PEBA Revolving Fund	\$ 71,702	\$ 71,065	\$ 69,197
Custodian fees - Royal Trust	-	14,916	12,560
Investment management fees - Greystone	-	17,219	15,470
	<u>\$ 71,702</u>	<u>\$ 103,200</u>	<u>\$ 97,227</u>

Custodian and investment management fees are based on the market value of the portfolio.

9. Fair Value of Financial Assets and Financial Liabilities

The pension liability is long term in nature. The Plan has no intention of settling its pension obligation in the near term and there is no market for settling its pension obligation. Therefore, determination of the fair value of the pension liability is not practical.

The following method and assumptions were used to estimate the fair value of each class of financial assets and financial liabilities.

For the following financial instruments the carrying amounts approximate fair value due to the immediate or short-term nature of these financial assets and financial liabilities.

- a) employees' and employers' contributions receivable
- b) accrued investment income
- c) other receivables
- d) due from General Revenue Fund
- e) cash
- f) administration expenses payable
- g) other payables

For all other investments, fair values are considered to be market value, the calculation of which is described in note 2.

10. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using the year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

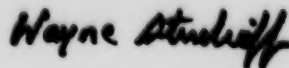
AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the statement of net assets available for benefits of the Members of the Legislative Assembly Superannuation Plan as at March 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at March 31, 1999 and the changes in the net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
July 13, 1999

Wayne Strelloff, CA
Provincial Auditor

STATEMENT 1

THE MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT MARCH 31

	<u>1999</u>			<u>1998</u>
	<u>Defined</u>	<u>Defined</u>		
	<u>Benefits</u>	<u>Contributions</u>	<u>Annuities</u>	<u>Total</u>
			<u>Total</u>	<u>Total</u>
ASSETS				
Investments (Note 3 & Schedule 1)				
Short term	\$ -	\$ 1,264,974	\$ 148,509	\$ 1,413,483
Bonds and debentures	-	8,262,449	970,018	9,232,467
Equities	-	6,119,449	718,428	6,837,877
Pooled Funds	-	<u>1,685,741</u>	<u>197,907</u>	<u>1,883,648</u>
	-	<u>17,332,613</u>	<u>2,034,862</u>	<u>19,367,475</u>
Receivables				
Members' contributions	767	33,080	-	33,847
Minister of Finance contributions				
- General Revenue Fund	-	276,113	18,742	294,855
Accrued investment income	-	140,411	16,484	156,895
Other	<u>4,379</u>	<u>-</u>	<u>-</u>	<u>4,379</u>
	<u>5,146</u>	<u>449,604</u>	<u>35,226</u>	<u>489,976</u>
Cash	-	<u>4,447</u>	<u>523</u>	<u>4,970</u>
Due from General Revenue Fund (Note 9)	-	-	-	-
	-	-	-	<u>51,042</u>
Total assets	<u>5,146</u>	<u>17,786,664</u>	<u>2,070,611</u>	<u>19,862,421</u>
				<u>20,415,743</u>
LIABILITIES				
Accumulated provision for annuities payable (Note 7)	-	-	1,907,000	1,907,000
Due to General Revenue Fund (Note 9)	-	39,554	4,644	44,198
Accounts payable	<u>5,146</u>	<u>16,217</u>	<u>1,994</u>	<u>23,357</u>
				<u>14,093</u>
Total liabilities	<u>5,146</u>	<u>55,771</u>	<u>1,913,638</u>	<u>1,974,555</u>
				<u>1,933,093</u>
NET ASSETS AVAILABLE FOR BENEFITS (Statement 2)	<u>\$ -</u>	<u>\$17,730,893</u>	<u>\$ 156,973</u>	<u>\$17,887,866</u>
				<u>\$18,482,650</u>

See accompanying notes to the financial statements.

STATEMENT 2

THE MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED MARCH 31

				1999	1998
	Defined Benefits	Defined Contributions	Annuities	Total	Total
INCREASE IN ASSETS					
Investment income					
Interest	\$ -	\$ 571,575	\$ 67,103	\$ 638,678	\$ 604,712
Dividends	-	124,656	14,635	139,291	171,669
	-	696,231	81,738	777,969	776,381
Current period change in market values of investments	-	72,340	8,493	80,833	3,524,144
Contributions					
Members'	9,206	378,135	-	387,341	377,758
Minister of Finance - General Revenue Fund	2,143,883	439,415	-	2,583,298	2,495,306
	2,153,089	817,550	-	2,970,639	2,873,064
Total increase in assets	2,153,089	1,586,121	90,231	3,829,441	7,173,589
DECREASE IN ASSETS					
Annual allowances	2,067,739	-	174,055	2,241,794	2,178,237
Administrative expenses (Note 8)	84,810	15,204	3,103	103,117	87,704
Change in provision for annuities payable (Note 7)	-	-	(12,000)	(12,000)	(2,000)
Equity transfers out	-	2,091,314	-	2,091,314	230,025
Total decrease in assets	2,152,549	2,106,518	165,158	4,424,225	2,493,966
Increase/(decrease) in net assets	540	(520,397)	(74,927)	(594,784)	4,679,623
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	(540)	18,251,290	231,900	18,482,650	13,803,027
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR- to Statement 1	\$ -	\$17,730,893	\$156,973	\$17,887,866	\$18,482,650

See accompanying notes to the financial statements.

THE MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION PLAN NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1999

1. Description of Plan

a) General

The Members of the Legislative Assembly Superannuation Plan (Plan) was established under *The Members of the Legislative Assembly Superannuation Act, 1979* (Act) to provide pensions to individuals who are elected as Members of the Legislative Assembly of the Province of Saskatchewan.

The Plan has a defined benefit component, a defined contribution component and annuity underwriting activities.

The defined benefit component consists of members who were first elected prior to April 1, 1979 and who did not elect to join the defined contribution component. These members have their superannuation allowance determined by a formula. Members first elected on or after April 1, 1979 participate in the defined contribution component. Members of the defined contribution component may elect to purchase an annuity from the Plan. The annuity underwriting activities are accounted separately within the Plan.

The Act also established the Members of the Legislative Assembly Superannuation Fund to accumulate all member contributions, investment earnings, and payments received from the General Revenue Fund.

Pensions, annuities, supplementary allowances, refunds and interest are paid out of the Fund.

Details of the Plan are contained in the Act.

b) Administration

The Minister of Finance is responsible for the Act. Day-to-day administration is provided by the Public Employees Benefits Agency.

c) Funding Policy

Members are required to contribute 9% of their indemnity, and expense allowances to the Plan. As well, members with additional responsibilities contribute 9% of their additional allowance. The General Revenue Fund matches the members' contributions, and is required to make certain additional contributions to the Plan pursuant to the Act. As there are minimal assets associated with the defined benefit component, it is effectively financed through contributions from the General Revenue Fund.

d) Retirement

Members may retire as early as age 50.

The annual allowance payable to members of the defined benefit component is one twenty-fifth of the member's average indemnity multiplied by the member's years of pensionable service. Members with additional responsibilities receive an additional allowance of one thirty-fifth of the member's average additional allowance multiplied by the member's years of pensionable service. Both average indemnity and average additional allowance are determined with reference to the highest four consecutive years of indemnity or additional allowance. An annual allowance shall not exceed 70% of that member's average annual indemnity and average additional allowance.

Members participating in the defined contribution component may elect to purchase a life annuity provided by the amount standing to the member's credit in the Plan. The member may elect to purchase an annuity from the Plan or from a private company that sells annuities.

e) Inter-Plan Transfers

Members of the defined benefit component may elect to transfer to the defined contribution component at any time prior to the expiration of the thirtieth day after the last return of the writ of election in the general election following the date on which they ceased to be members.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The following policies are considered significant.

a) Accrual Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

b) Basis of Presentation

Assets of the Plan are commingled for investment purposes. The defined contribution component is segregated by separating the annuity activity from the accounts of members who have not yet purchased annuities. For reporting purposes, the assets and investment income are allocated between the defined contribution component and the annuity activity based on their proportionate market value of the investment portfolio.

c) Investments

Investments in bonds and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices. Pooled funds are recorded based on the quoted market price of underlying investments, normally the current bid price.

The change in market value of investments during the year is reflected on the financial statements as a current period change in the market value of investments.

Short term investments are recorded at cost which approximates market value.

Fair value approximates market value of investments.

d) Accumulated Provision for Annuities Payable

The accumulated provision for annuities payable represents the present value of the annuities underwritten by the plan and is determined pursuant to an actuarial valuation. Any change in the

liability pursuant to the valuation is recognized as an increase or decrease in that year's statement of changes in net assets available for benefits.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as Canadian equities, pooled funds, money market securities and bonds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate change on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets are affected by short-term changes in nominal interest rates and equity markets.

b) Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service and/or the Canadian Bond Rating Service.

Short Term Investments

Short term investments are comprised of T-Bills and notes with effective rates of 4.70% to 4.90% (1998 - 4.40% to 4.80%) and an average remaining term to maturity of 90 (1998 - 31) days. The plan's investment policy states that investments must meet a minimum investment standard for Canadian Federal, Provincial Government and corporate securities of "R1" and for Canadian grain companies an "R2 high" rating, as rated by a recognized credit rating service. Other than the Province of Saskatchewan, no single issue represents more than 55.73% (1998 - 43.01%) of the market value of the short term investment portfolio.

Bonds and Debentures

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. No more than 9% of the cost of the total portfolio may be invested in BBB rated bonds.

At March 31, 1999, the Plan held 0.81% (1998 - 1.81%) of its portfolio in BBB bonds.

(in thousands of dollars)

Years to Maturity	1999						1998		
	Federal	Provincial	Corporate	Total Market Value	Yield to Maturity at Market	Coupon Rate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	2,636	584	731	3,951	5.35%	4.50 - 8.00	3,464	6.85%	4.88 - 9.88
5 - 10	603	778	480	1,861	4.30%	5.50 - 8.75	2,613	6.83%	5.95 - 8.38
Over 10	2,412	802	207	3,421	5.18%	5.50 - 7.90	3,200	7.19%	5.50 - 10.25
Market Value	5,651	2,164	1,418	9,233			9,277		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

The Plan's investment policy allows no one holding to represent more than 10% of the market value of the related equity portfolio. No one holding in the equity portfolio should represent more than 10% of the common stock in any corporation. Foreign equities represent 22.58% (1998 - 24.85%) of the market value of the equity portfolio. All foreign equities are denominated in Canadian dollars. Dividends are generally declared on an annual basis. The average effective rate is 2.32% (1998 - 3.16%).

Pooled Funds

The Plan holds units in pooled funds which have no fixed interest rate and its returns are based on the success of the fund manager.

Foreign equities including foreign pooled funds are limited to 20% of the cost of the investment portfolio and are denominated in Canadian dollars. The pooled funds are comprised of holdings in Greystone Non-North American Fund \$1,690,027 (1998 - \$812,000) and Greystone Emerging Markets Fund \$193,621 (1998 - \$207,000).

4. Earnings Allocation to Members - Defined Contribution Component

Investment income and the current year's allocation of the change in the market values of investments is allocated annually to the individual member's account balances in accordance with the provisions of the governing legislation. In 1999, the interest rate was 4.32% (1998 - 31.41%).

5. Statutory Reporting Requirements

In accordance with section 42 of the Act, the following information is provided:

		1999	1998
Contributors to the Plan:	defined benefit	1	1
	defined contribution	54	56

During the year 119 superannuates and spouses received allowances (1998 - 123).

6. Obligations for Pension Benefits - Defined Benefit Component

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and the best estimate assumptions approved by the Public Employees Benefits Agency. An actuarial valuation was performed as at December 31, 1998 by AON Consulting Inc. and an extrapolation was made to March 31, 1999. The comparative figures for 1998 were determined from an extrapolation of the actuarial valuation as at December 31, 1995 performed by AON Consulting Inc.

The actuarial present value of benefits at March 31 and the principal components of changes in actuarial present values during the year, were as follows:

	(in thousands of dollars)	
	<u>1999</u>	<u>1998</u>
		(Restated)
Actuarial present value of accrued pension benefits		
at beginning of the year	\$26,844	\$26,830
Interest accrued on benefits	1,940	1,940
Change in valuation assumptions	1,060	-
Benefits accrued	106	99
Benefits paid	<u>(2,068)</u>	<u>(2,025)</u>
Actuarial present value of accrued pension benefits		
at end of the year	27,882	26,844
Less: Net assets available for benefits	<u>-</u>	<u>-</u>
Unfunded liability	<u>\$27,882</u>	<u>\$26,844</u>

The 1998 financial statements reported an actuarial present value of accrued pension benefits of \$28,903,000. The indexation for accrued benefits was incorrectly calculated in the 1998 extrapolation. This calculation has now been corrected. As a result, the present value of accrued pension benefits for 1998 has been decreased by \$2,059,000.

The significant long term assumptions used in determining the actuarial value of accrued pension benefits are:

Interest rate	7.5%
Salary escalation rate	4.5%
Inflation rate	4.5%

Section 25.1 of the Act provides for a supplementary monthly allowance effective July 1 if persons in receipt of allowances under *The Superannuation (Supplementary Provisions) Act* are awarded additional supplementary allowances in the year. The increase is a dollar amount to each superannuate of the Members of the Legislative Assembly defined benefit component equal to one-sixth of the pensionable service of the member multiplied by the sum of their pensionable service and years in receipt of pension.

The actuarial present value of accrued pension benefits contains a provision for ad hoc increases which are subject to Lieutenant Governor in Council approval. The ad hoc assumption is 100% (1998 - 90%) of CPI based on previous years' experience.

The pension liability is based on a number of assumptions about future events including: rate of salary increase, interest, inflation, ad hoc indexing, mortality, retirement rates and termination rates. The actual rates may vary significantly from the long-term assumptions used.

The following illustrates the effect of changing certain assumptions from the assumed rates of inflation 4.5%, salary 4.5% and interest 7.5%:

	Long-term Assumptions					
	Salary		Interest		Inflation	
	3.5%	5.5%	6.5%	8.5%	3.5%	5.5%
Liability (decrease) increase	(.05%)	.05%	10.53%	(8.88%)	.27%	(.26%)

The pension liability is long term in nature. The plan has no intention of settling its pension obligation in the near term and there is no market for settling its pension obligations. Therefore, determination of the fair value of the pension liability is not practical.

The unfunded liability for the defined benefit component of the Plan is not payable immediately. The expected cash inflows from contributions and the expected cash outflows to pay the required pension obligation are calculated using the above assumptions. The net cash outflows for the next five years would be \$10.2 million, in the next 10 years \$20.6 million and in the next 27 years \$49.1 million.

Paragraph 4(1)(c) of the Act indicates if there are insufficient monies in the Fund to pay allowances or other payments, the Minister of Finance is obligated to pay any such deficiency out of the General Revenue Fund.

7. Accumulated Provision for Annuities Payable

An actuarial valuation was performed on the annuity activity as at March 31, 1999 by AON Consulting Inc. The valuation represents the present value of the annuities underwritten by the Plan.

The interest rate assumptions were made based on the initial interest rate used to determine the amount of each annuity for the first 15 years of the annuity and 6% thereafter. The weighted average interest rate for annuities in 1999 was 8.95%. Also, 80% of the 1983 Group Annuity Mortality Table was used.

The annuity payable is based on assumptions about future events including interest and mortality rates. The actual rates may vary significantly from the assumptions used. It is reasonably possible, based on existing assumptions, that changes in future conditions in the near term could require a material change in the annuity payable.

The accumulated provision for annuities payable is long term in nature. The Plan has no intention of settling it in the near term. Therefore, determination of the fair value of the accumulated provision for annuities payable is not practical.

8. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the Government. These financial statements include transactions with these agencies and the Plan, a pension plan established by the Government of Saskatchewan. Related party transactions with the Plan are in the normal course of operations and are recorded at the agreed upon exchange amounts charged by these organizations.

a) Administration

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees which are paid directly. Custodial and investment management fees are based on market value of the Fund's portfolio.

	1999		1998	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Administration cost - PEBA	\$51,770	\$ 52,216	\$43,962	\$45,190
Custodian fees - Royal Trust	-	24,813	-	18,280
Investment management fees - Greystone Capital Management Inc.	-	26,088	-	24,234
	<u>\$51,770</u>	<u>\$103,117</u>	<u>\$43,962</u>	<u>\$87,704</u>

b) Investment Management Services

The Minister of Finance is authorized to invest any part of the monies standing to the credit of the Plan in any securities authorized for investment pursuant to *The Pension Benefits Act, 1992*.

Greystone Capital Management Inc. (GCMI) invests the monies of the Plan under a contract to provide services. The Plan is a shareholder in GCMI along with several other Saskatchewan public sector pension plans and government agencies. The Plan pays management fees to GCMI.

The Plan holds 2,618 common shares, 0.28% of total shares outstanding in GCMI (1998 - 100 Class A shares and 2,464 Class B shares). During the year, the Class A and Class B shares were converted to common shares.

c) Investment Holdings

Included in Bonds and Debentures and investment income are Province of Saskatchewan holdings totalling \$205,452 (1998 - \$153,589) for bonds and debentures and investment income earned and market value adjustment of \$13,306 (1998 - \$6,609). The weighted average interest rate is 5.50% (1998 - 8.46%).

The Fund holds 118,201 (1998 - 63,167) units, 0.27% of total units outstanding in the Greystone Capital Management Non-North American Fund. The market value of the units is \$1,690,027 and income earned and market value adjustment for these units totalled \$135,822. The Greystone Capital Management Non-North American Fund, managed by GCMI, is an investment fund investing in foreign markets.

The Fund holds 23,633 (1998 - 20,584) units, 0.23% of the total units outstanding in the Greystone Capital Management Emerging Markets Fund. The market value of the units is \$193,621. Income earned and the market value adjustment for these units totalled \$(35,267). The Greystone Capital Management Emerging Markets Fund, managed by GCMI, is an investment fund investing in foreign emerging markets.

The unit holders of the Greystone Capital Management Non-North American Fund and the Greystone Capital Management Emerging Markets Fund are several Government of Saskatchewan public sector pension plans and other Government of Saskatchewan agencies.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms. Other transactions are disclosed separately in these financial statements.

9. Due From General Revenue Fund

The Plan's bank account has been included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

The Plan's earned interest totalled \$6,881 (1998 - \$3,334) and is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty-day borrowing rate and the Plan's average daily bank account balance. The Government's average thirty-day borrowing rate for 1998/99 is 5%.

10. Investment Performance

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long term performance objectives set by the Minister. The Public Employees Benefits Agency reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over four-year rolling periods. The primary long term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

	<u>1999</u>	<u>Rolling Four-Year Average Annual Return</u>
Plan's actual rate of return (a)	4.6%	15.8%
Target rate of return (b)	2.8%	14.2%

(a) The annual returns are before deducting investment expenses.

(b) The Plan's target rate of return for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange 300 Index, Standard and Poor's 500 Stock Index and the Scotia Capital Markets Universe Bond Index.

11. Fair Value

The fair value of receivables, due from General Revenue Fund, cash, due to General Revenue Fund and accounts payable approximates their carrying value due to the short term nature of these financial instruments.

12. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

13. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

SCHEDULE 1

THE MEMBERS OF THE LEGISLATIVE ASSEMBLY SUPERANNUATION PLAN SCHEDULE OF INVESTMENT TRANSACTIONS

FOR THE YEAR ENDED MARCH 31

Investments at Market	Balance March 31, 1998	Acquisitions	Dispositions	Balance Before Change in Market Value	Market Value Change	Balance March 31, 1999
Bonds and Debentures:	<u>\$ 9,276,612</u>	<u>\$28,437,962</u>	<u>\$28,527,456</u>	<u>\$ 9,187,118</u>	<u>\$ 45,349</u>	<u>\$ 9,232,467</u>
Equities:						
Greystone Capital Management Inc. Class A	100	-	100	-	-	-
Greystone Capital Management Inc. Class B	3,596	198	3,177	617	(617)	-
Greystone Common Shares	-	3,159	-	3,159	-	3,159
Canadian Corporate Equities	6,481,749	1,693,369	2,777,936	5,397,182	(532,014)	4,865,168
Foreign Corporate Equities	<u>2,144,376</u>	<u>355,004</u>	<u>1,026,984</u>	<u>1,472,396</u>	<u>497,154</u>	<u>1,969,550</u>
Total Equities	<u>8,629,821</u>	<u>2,051,730</u>	<u>3,808,197</u>	<u>6,873,354</u>	<u>(35,477)</u>	<u>6,837,877</u>
Pooled Funds:						
Greystone - Emerging Markets Fund	207,088	93,731	69,300	231,519	(37,898)	193,621
Greystone - Non-North American Fund	<u>812,205</u>	<u>898,961</u>	<u>130,000</u>	<u>1,581,166</u>	<u>108,861</u>	<u>1,690,027</u>
Total Pooled Funds	<u>1,019,293</u>	<u>992,692</u>	<u>199,300</u>	<u>1,812,685</u>	<u>70,963</u>	<u>1,883,648</u>
Total Long Term Investments	18,925,726	31,482,384	32,534,953	17,873,157	80,835	17,953,992
Short Term Investments	<u>1,038,533</u>	<u>14,666,747</u>	<u>14,291,794</u>	<u>1,413,486</u>	<u>(3)</u>	<u>1,413,483</u>
Total Investments	<u>\$19,964,259</u>	<u>\$46,149,131</u>	<u>\$46,826,747</u>	<u>\$ 19,286,643</u>	<u>\$ 80,832</u>	<u>\$19,367,475</u>



KPMG LLP
Chartered Accountants

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of net assets available for benefits of the Municipal Employees' Pension Plan as at December 31, 1998 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Municipal Employees' Pension Plan as at December 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

The comparative figures for 1997 were reported on by another chartered accountant.

KPMG LLP

Chartered Accountants

Regina, Canada

March 12, 1999

STATEMENT 1**MUNICIPAL EMPLOYEES' PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS****AS AT DECEMBER 31**

	(in thousands)	
	<u>1998</u>	<u>1997</u>
ASSETS		
Investments (Note 3)		
Short term	\$ 32,607	\$ 25,353
Bonds	354,439	314,250
Equities	267,128	287,984
Pooled Funds	94,175	59,410
Mortgages	2,746	3,278
Real estate	<u>30,534</u>	<u>28,346</u>
	<u>781,629</u>	<u>718,621</u>
Accounts receivable		
Employees' contributions	660	572
Employers' contributions	660	572
Accrued investment income	4,669	5,595
Due from General Revenue Fund (Note 5)	1,043	414
Other	<u>27</u>	<u>13</u>
	<u>7,059</u>	<u>7,166</u>
Cash	<u>85</u>	<u>165</u>
Total assets	<u>788,773</u>	<u>725,952</u>
LIABILITIES		
Accounts payable	1,089	1,703
Accumulated provision for annuities payable (Note 9)	<u>33,168</u>	<u>34,017</u>
Total liabilities	<u>34,257</u>	<u>35,720</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$754,516</u>	<u>\$690,232</u>

(See accompanying notes to the financial statements)

STATEMENT 2

MUNICIPAL EMPLOYEES' PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

YEAR ENDED DECEMBER 31

(in thousands)

1998 1997

INCREASE IN ASSETS

Investment income		
Interest	\$ 22,924	\$ 20,697
Dividends	11,338	5,687
Mortgages	249	307
Real estate	<u>2,342</u>	<u>1,010</u>
	<u>36,853</u>	<u>27,701</u>
Current period change in market value of investments	<u>37,501</u>	<u>81,536</u>
Contributions		
Employees	10,654	9,793
Employers	10,267	9,766
Reciprocal transfers in	<u>311</u>	<u>396</u>
	<u>21,232</u>	<u>19,955</u>
Total increase in assets	95,586	129,192

DECREASE IN ASSETS

Transfers, refunds and benefits (Note 7)	10,596	5,464
Defined benefit allowances	11,988	10,725
Annuity allowances	3,786	3,768
Supplementary benefits	2,734	2,621
Administrative costs	1,374	1,124
Investment and custodian fees	1,673	1,229
Change in accumulated provision for indexing annuities payable (Note 9)	-	(10,527)
Change in accumulated provision for annuities payable (Note 9)	<u>(849)</u>	<u>(3,335)</u>
Total decrease in assets	<u>31,302</u>	<u>11,069</u>
INCREASE IN NET ASSETS	64,284	118,123
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	<u>690,232</u>	<u>572,109</u>
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	<u>\$754,516</u>	<u>\$690,232</u>

(See accompanying notes to the financial statements)

MUNICIPAL EMPLOYEES' PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

1. Description of the Municipal Employees' Pension Plan

General

The Municipal Employees' Pension Plan (the Plan) is composed of several activities. The following description of the Plan is a summary only. For more complete information, reference should be made to *The Municipal Employees' Pension Act*.

The Municipal Employees' Pension Act (the Act), Section 11, provides authority for the Plan. The Act directs that all allowances, payments and refunds under the Act shall be payable out of the Plan in the manner provided in the Act together with all benefits granted under a former Act. The Municipal Employees' Pension Commission is responsible for holding in trust and investing the monies of the Plan. The Municipal Employees' Pension Commission's composition and authority to administer the Plan are provided in Section 7 of the Act.

Defined Benefit Plan

The Defined Benefit Plan became effective July 1, 1973. This Defined Benefit Plan is mandatory for permanent employees.

a. Funding Policy

Effective January 1, 1993, contributions are established at 5.4% of salary (7.3% for designated police officers and fire fighters). Contributions prior to January 1, 1993 were established at 7% of earnings net of deemed Canada Pension Plan contributions. Contributions are matched by the employer.

b. Pensions

Employees receive a pension at age 65, for each year and fractional year of contributory service in the Plan prior to retirement:

For service before 1990, the number of years of contributory service earned before 1990 times the greater of:

- a) 1.8% times the average salary for the highest three years of the member's total pensionable service in the Plan, with each year ending in the month of termination (2% for police officers and firefighters); or
- b)
 - i) 1.3% of that portion of the member's average salary for the highest three years of the member's pensionable service in the Plan, with each year ending in the month of termination, which is not in excess of the average yearly maximum pensionable earnings under the Canada Pension Plan for the three years immediately prior to retirement; and
 - ii) 2% of that portion of the member's average salary for the highest three years of the member's pensionable service in the Plan, with each year ending in the month of termination, which is in excess of the average yearly maximum pensionable

earnings under the Canada Pension Plan for the three years immediately prior to retirement.

For service earned after 1989, the number of years of contributory service earned after 1989 times the greater of:

- a) 1.5% times the average salary for the highest three years of the member's total pensionable service in the Plan, with each year ending in the month of termination (1.7% for police officers and firefighters); or
- b)
 - i) 1.3% of that portion of the member's average salary for the highest three years of the member's pensionable service in the Plan, with each year ending in the month of termination, which is not in excess of the average yearly maximum pensionable earnings under the Canada Pension Plan for the three years immediately prior to retirement; and
 - ii) 2% of that portion of the member's average salary for the highest three years of the member's pensionable service in the Plan, with each year ending in the month of termination, which is in excess of the average yearly maximum pensionable earnings under the Canada Pension Plan for the three years immediately prior to retirement.
- c. Retirement
- d. Surplus
- e. Election

Normal retirement is at age 65. Members may retire earlier under certain conditions.

The Plan also provides benefits in the event of termination of employment, death or disability.

Any surpluses arising in the Plan can be utilized at the discretion of the Commission.

Members who contributed to the Money Accumulation Plan prior to July 1, 1973 were allowed to use the member's and employer's matching contributions and interest earned on the funds to purchase service in the Plan. The election had to be made in writing to the Commission by December 31, 1995.

Money Accumulation Plan

The Money Accumulation Plan consists of members who made contributions to the Money Accumulation Plan in effect prior to July 1, 1973. Members may retire and purchase an annuity at age 65. Members may retire earlier under certain conditions. Upon retirement a member must purchase an annuity from either the Plan or a private insurer based on employee's and employer's matching contributions together with interest thereon. The member also has the option of purchasing a Life Income Fund (LIF) or a Life Retirement Income Fund (LRIF) from a private insurer. In the event of death prior to retirement, the member's spouse may receive a life annuity or elect to receive a lump sum payment of employee and employer accounts. If the member's beneficiary is other than the spouse, a lump sum payment of employee and employer contributions plus interest is made.

In addition, the accounts set up to record mandatory contributions made to the Plan prior to July 1, 1973, may also contain:

- voluntary employee and/or employer contributions made either before or after July 1, 1973 and until December 31, 1992;
- any employee and/or employer contributions made to the Plan subsequent to normal retirement age; and
- any excess employee funds transferred from the Defined Benefit Plan pursuant to Subsection 20(4) of *The Municipal Employees' Pension Act*.

Annuity Underwriting

If a member elects to purchase an annuity through the Commission, the member's account balance is transferred to the annuity underwriting activity and an annuity contract is issued based on current interest rates and annuity tables.

The present value of future annuities is reflected as a liability of the Plan and a charge against the annuity underwriting activity.

Supplementary Benefits

In accordance with the Act, the Commission may grant supplementary benefits to superannuates to compensate them for lost purchasing power. The supplementary benefits may be granted by the Commission as long as the solvency of the entire Plan is not impaired.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant accounting policies are as follows:

Valuation of Investments

Investments in bonds and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.

Short term investments are valued at cost which approximates market value.

Pooled funds are valued based on the quoted market price of the underlying investments, normally the current bid price.

Real estate is valued at market value as estimated by independent appraisals performed annually.

Mortgages are valued at their net present value by discounting cash flows to current market rates of return.

The market value of investments approximates fair value.

Investment Transactions and Income

Investment transactions are recorded on the settlement date. Transactions conducted in foreign currencies are translated into Canadian dollars using the exchange rate in effect at the transaction date. Interest income is accrued monthly and dividend income is recognized on the record date.

Accumulated Provision for Annuities Payable

The accumulated provision for annuities payable represents the present value of the annuities underwritten by the Plan and is determined pursuant to an actuarial valuation. Any change in the liability pursuant to the valuation is recognized as a revenue or expense item in that year's operations.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits, are in the normal course of operations and are recorded at rates charged by these organizations. Other transactions are disclosed separately in these financial statements.

3. Investments

Short Term Investments

These investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 4.5% to 5.2% (1997 - 3.4% to 4.8%) and an average term to maturity of 69 days. The Plan's investment policy states that investments must meet a minimum investment standard of "R2 high" as rated by a recognized credit rating service. Other than the Government of Canada, no single issuer represents more than 3% of the total Plan.

Bonds and Debentures

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. No more than 5% of the book value of the total Plan may be invested in BBB rated bonds. As at December 31, 1998 the Plan held 1.09% (1997 - 2.91%) of its portfolio in BBB bonds.

The Plan invests in bonds and debentures that are considered to be high quality as described below.

		1998 (in thousands)				1997 (in thousands)			
Years to Maturity	Federal	Provincial	Corporate	Total Market Value	Coupon Rate	Weighted Yield to Maturity at Market	Total Market Value	Coupon Rate	Weighted Yield to Maturity at Market
Under 5	\$115,600	\$22,240	\$29,110	\$166,950	1.95-14.75%	6.21%	\$136,591	4.86-14.75%	6.87%
5 to 10	62,231	25,195	26,117	113,543	5.5-10.80%	5.87%	94,845	5.95-11.75%	6.53%
Over 10	51,397	14,500	8,049	73,946	4.25-9.85%	5.23%	62,814	4.25-10.80%	5.86%
Market Value	\$229,228	\$61,935	\$63,276	\$354,439			\$314,250		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

The Plan holds \$5,035,990 (1997 - nil) Province of Saskatchewan Bonds and Debentures. Investment income of \$157,023 (1997-nil) was recorded from the Province of Saskatchewan Bonds and Debentures.

Included in bonds and debentures are Canadian provincial bonds denominated in United States dollars. The Canadian market value of these bonds are \$2,883,584. In order to minimize the risk of foreign currency fluctuations, the Plan has hedged this risk by purchasing United States dollar forward exchange contracts of \$2,373,974.

Equities

The Plan's investment policy allows no one holding to represent more than 10% of the market value of the related portfolio and no one holding to represent more than 10% of the common stock in any corporation. The Plan's holdings were within these limits. All foreign equities are denominated in Canadian dollars.

Pooled Funds

The Plan's pooled funds are comprised of:

	(in thousands)	
	1998	1997
Greystone Emerging Market Fund	\$ 5,782	\$ 7,080
Greystone Non-North American Fund	\$52,479	\$52,330
Brandes Canada International Equity Fund	\$35,914	-

During 1998, the Plan earned \$1,167,083 on its Greystone Pooled Funds (1997 - \$920,073)

Mortgages

All mortgages are secured by Canadian commercial properties and have effective and stated interest rates of 7.75% to 11.5% with an average remaining term to maturity of 7.5 years. Principal and interest are receivable on a monthly basis.

Real Estate

Investments in real estate consist of Canadian commercial property.

Included in the totals for real estate are holdings of SaskPen Properties Ltd. and SaskMet Properties Ltd. totalling \$2,293,575 (1997 - \$2,615,158). SaskPen Properties Ltd. and SaskMet Properties Ltd. are real estate corporations beneficially owned by Crown managed pension funds in the Province of Saskatchewan.

4. Accounts Receivable/Accounts Payable

These financial instruments are both interest and non-interest bearing and are due or payable within the next year. Due to this short term maturity, the fair value of these financial instruments approximates its carrying value.

5. Due from General Revenue Fund

The Municipal Employees' Pension Plan's bank account is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

Earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty day borrowing rate and the Municipal Employees' Pension Plan's average daily bank account balance.

6. Earnings Allocation to Members

Part of the change in market values of investments is allocated annually to members of the Plan. The maximum market value change deferred to future years is 3% of the total market value of investments at December 31 of each year. Unallocated changes are recognized equally in each of the three subsequent years.

These unallocated changes are included as follows:

(in thousands)

	<u>Members' Accumulated Balances</u>	<u>Unallocated Change in Market Value</u>	<u>Net Assets Available for Benefits</u>
1998	\$731,067	\$ 23,449	\$754,516
1997	\$668,673	\$ 21,559	\$690,232

Investment income net of the current year's allocation of the change in the market values of investments is allocated annually to the individual member's account balances in accordance with the provisions of the governing legislation. In 1998, an interest rate of 9.2% (1997 - 15.5%) was approved by the Commission for the Money Accumulation Plan and 9.2% (1997-15.5%) for the Defined Benefit Plan.

7. Transfers, Refunds and Benefits

(in thousands)

	<u>1998</u>	<u>1997</u>
Transfers to other retirement plans	\$ 385	\$ 290
Transfers to locked-in RRSP	3,952	1,833
Lump sum payments to estates	88	241
Payments in lieu of annuities	712	421
Payments to insurance companies	44	110
Withdrawals with interest	<u>5,415</u>	<u>2,569</u>
	<u>\$10,596</u>	<u>\$5,464</u>

8. Obligations for Pension Benefits

The present value of accrued pension benefits was determined using the projected benefit method prorated on services and the administrator's best estimate assumptions. An actuarial valuation was performed as at December 31, 1998 by AON Consulting Inc. The 1983 Group Annuity Mortality Table was used in the valuation along with mortality improvements projected until year 2005.

The actuarial present value of benefits as at December 31 and the principal components of changes in actuarial present values during the year were as follows:

(in thousands)

	<u>1998</u>	<u>1997</u>
Actuarial present value of accrued pension benefits, at beginning of the year	\$617,502	\$532,180
Interest accrued on benefits	43,279	39,026
Benefits accrued	30,630	28,095
Benefits paid	(29,104)	(22,582)
Net cost of plan improvements	10,564	40,783
Net financial impact of plan's experience(1995-1998)	<u>2,472</u>	<u>-</u>
Actuarial present value of all accrued pension benefits, at end of the year	<u>675,343</u>	<u>617,502</u>
Net assets available for benefits excluding the accumulated provision per annuities payable	<u>787,684</u>	<u>724,243</u>
Excess of net assets available for benefits over actuarial present value of all accrued pension benefits	<u>\$112,341</u>	<u>\$106,741</u>

The actuarial present value of all accrued pension benefits includes the accumulated provision for annuities payable valued at \$33,168,000 as at December 31, 1998 (1997 - \$34,017,000). Also see Note 9.

Other assumptions used in determining the actuarial value of accrued pension benefits were:

	<u>1998</u>	<u>1997</u>
Interest rate	7%	7%
Salary escalation rate	3.5% to 5%	4% to 5%
Inflation	2.5% to 4%	3% to 4%
Indexation of Pensions	100% of inflation	100% of inflation

The pension liability is based on a number of assumptions about future events including: interest rates, rate of salary increases, inflation rates, mortality rates, retirement rates and termination rates. The actual rates may vary significantly from the long-term assumptions used.

The following illustrates the effect of changing certain assumptions from the long term assumptions of inflation 4%, 5% for salary and an interest rate of 7%:

<u>Long Term Assumptions</u>						
	<u>Inflation</u>		<u>Salary Escalation Rate</u>		<u>Interest Rate</u>	
	3%	5%	4%	6%	6%	8%
(Decrease) increase in liability	1.77%	(1.63%)	(4.10%)	5.03%	17.94%	(12.82%)

The pension liability is long term in nature. The Plan has no intention of settling its pension obligation in the near term and there is no market for settling its pension obligations. Therefore, determination of the fair value of the pension liability is not practical.

9. Accumulated Provision for Annuities Payable

Aon Consulting Inc. performed an actuarial valuation of the accumulated provision for annuities payable as at December 31, 1998. The actuarial valuation was based on a number of assumptions about future events such as interest rates and mortality rates which are consistent with those disclosed in note 8, except that there is no provision to index annuity payments.

10. Related Party Transactions

a) Administration

Expenses associated with administering the Plan are paid to the Public Employees Benefits Agency Revolving Fund.

b) Investment Management Services

Greystone Capital Management Inc. (GCM) provides investment management services, along with other investment managers, to the Plan on a fee-for-service basis.

The Plan is a shareholder in GCM along with several other Saskatchewan public sector pension funds and government agencies.

The plan holds 8.606% single class common shares in GCM. In 1997 the plan held 6.42% of the total Class A shares and 3.3% of the total Class B shares outstanding in GCM. The Class A and Class B shares of GCM which divided voting rights between them, were

consolidated into a single class of common shares each carrying one vote per share in October, 1998.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms.

11. Investment Performance

The investment manager makes day to day decisions on whether to buy or sell investments in order to achieve the long term performance objectives set by the Commission. The Commission reviews the investment performance of the plan in terms of the performance of the benchmark portfolio over 4 year rolling periods. The primary long term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

	<u>1998</u>	<u>Rolling Four Year Average Annual Return</u>
Plan's actual rate of return (a)	10.3%	15.7%
Target rate of return (b)	9.9%	14.9%

- (a) The annual returns are before deducting investment expenses.
- (b) The Plan's target rate of return for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange 300 Index, Standard & Poors 500 US Stock Index and the Scotia Capital Markets Universe Bond Index.

12. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

13. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.



KPMG LLP
Chartered Accountants

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of net assets available for benefits of the Public Employees Pension Plan as at March 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Public Employees Pension Plan as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

May 26, 1999

STATEMENT 1

PUBLIC EMPLOYEES PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

AS AT MARCH 31

(in thousands of dollars)

	1999		1998	
	Balanced Fund	Pre-Retirement Fund	Total	Total
ASSETS				
Investments (Note 3)				
Short Term	\$ 70,306	\$ 209	\$ 70,515	\$ 62,270
Bonds	364,390	8,159	372,549	347,004
Equities	415,312	-	415,312	386,525
Pooled Funds	1,206,396	-	1,206,396	1,160,871
Mortgages	4,546	-	4,546	4,847
Real Estate	41,424	-	41,424	36,096
	2,102,374	8,368	2,110,742	1,997,613
Receivables				
Employees contributions	2,160	-	2,160	2,171
Employers contributions	2,228	-	2,228	2,229
Accrued investment income	6,319	75	6,394	5,735
Due from Balanced Fund	-	49	49	-
	10,707	124	10,831	10,135
Cash	335	2	337	215
Due from General Revenue Fund (Note 6)	4,427	-	4,427	1,850
Total assets	2,117,843	8,494	2,126,337	2,009,813
LIABILITIES				
Administrative expenses payable (Note 7)	783	2	785	683
Refunds, transfers and other payables	1,156	-	1,156	1,192
Due to Pre-Retirement fund	49	-	49	-
Total liabilities	1,988	2	1,990	1,875
NET ASSETS AVAILABLE FOR BENEFITS	\$2,115,855	\$8,492	\$2,124,347	\$2,007,938

See accompanying notes to the financial statements.

STATEMENT 2

PUBLIC EMPLOYEES PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR ENDED MARCH 31

(in thousands of dollars)

	1999			1998
	Balanced Fund	Pre-Retirement Fund	Total	Total
INCREASE IN ASSETS				
Investment income				
Interest	\$ 57,831	\$ 298	\$ 58,129	\$ 53,883
Dividends	17,135	-	17,135	71,418
Mortgages	349	-	349	448
Real estate	2,680	-	2,680	2,610
Other	-	-	-	264
	<u>77,995</u>	<u>298</u>	<u>78,293</u>	<u>128,623</u>
Current period change in market value of investments	12,100	(23)	12,077	288,821
Contributions				
Employees	40,815	4,588	45,403	36,012
Employers	39,525	4,302	43,827	35,956
Reciprocal transfers in	<u>2,610</u>	<u>-</u>	<u>2,610</u>	<u>2,603</u>
	82,950	8,890	91,840	74,571
Total increase in assets	<u>173,045</u>	<u>9,165</u>	<u>182,210</u>	<u>492,015</u>
DECREASE IN ASSETS				
Administrative expenses (Note 7)	4,331	14	4,345	3,559
Transfers, refunds and benefit payments (Note 5)	51,254	659	51,913	53,269
Transfer to Annuity Fund				
Contributions	9,508	-	9,508	6,310
Interest	<u>35</u>	<u>-</u>	<u>35</u>	<u>163</u>
Total decrease in assets	<u>65,128</u>	<u>673</u>	<u>65,801</u>	<u>63,301</u>
INCREASE IN NET ASSETS	107,917	8,492	116,409	428,714
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	<u>2,007,938</u>	<u>-</u>	<u>2,007,938</u>	<u>1,579,224</u>
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	<u>\$2,115,855</u>	<u>\$8,492</u>	<u>\$2,124,347</u>	<u>\$2,007,938</u>

See accompanying notes to the financial statements.

PUBLIC EMPLOYEES PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1999

1. Description of Plan

The following description of the Public Employees Pension Plan is a summary only. For more complete information, reference should be made to the Plan text.

a) General

The Public Employees (Government Contributory) Superannuation Plan (Superannuation Plan) was established under Section 38 of *The Superannuation (Supplementary Provisions) Act*. Effective July 1, 1997 this Plan continues as the Public Employees Pension Plan (Plan). The Plan is a defined contribution plan that covers the employees of a number of government entities.

The Plan is comprised of the Balanced Fund and the Pre-Retirement Fund. The Pre-Retirement Fund began operations July 1, 1998. Both Funds are defined contribution funds.

The Balanced Fund receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The Balanced Fund holds bonds, equities, real estate, mortgages and short term investments. The Balanced Fund's mandate is to provide long term capital appreciation for members. Allocation of income is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

The Pre-Retirement Fund (PRF) receives and holds, in trust, member and participant contributions as well as the related investments and investment income derived from these contributions.

The PRF is available to all members. The PRF holds low risk mid-term income investments and is intended for those members who wish to protect themselves from the volatility of the investment markets. Participation in the PRF is at the discretion of the member. Allocation of income is based on the market value of the fund. The total available to a member upon termination or retirement is equal to the balance in the particular member's account at that date, subject to certain vesting and other specific rules governing the Plan.

b) Administration

The Supervisory Board of the Public Employees (Government Contributory) Superannuation Plan was established under Section 39 of *The Superannuation (Supplementary Provisions) Act*. Effective July 1, 1997 the Board continues as The Public Employees Pension Board (Pension Board). The Pension Board is comprised of seven members that administer the Plan. The Public Employees Benefits Agency provides day-to-day administration.

c) Pension Fund

The Public Employees (Government Contributory) Superannuation Fund was established by Section 41 of *The Superannuation (Supplementary Provisions) Act* to accumulate all contributions and earnings for Plan members. Effective July 1, 1997 the fund continues as the Public Employees Pension Fund (Pension Fund).

The Public Employees (Government Contributory) Annuity Fund was established by Section 43.1 of *The Superannuation (Supplementary Provisions) Act*. Effective July 1, 1997 this Fund continues as the Saskatchewan Pension Annuity Fund (Annuity Fund). The operations and the financial position of the Annuity Fund are reported separately.

d) Retirement

Members may retire as early as age 55, or after 35 years of service regardless of age.

Upon retirement an employee may elect to receive an annuity from the Pension Board pursuant to Section 44 of the Act, or from a private company that issues annuities.

Alternatively, the funds may be left in the Plan to continue to accumulate earnings to provide retirement income beginning no later than the end of the calendar year in which the member reaches age 69, be transferred to a Locked-in Retirement Account (LIRA) or after age 55, to a Locked-in Retirement Income Fund (LRIF), Life Income Fund (LIF) or a Life Annuity (LA) from the Plan, or be transferred to another pension plan which has a reciprocal agreement with the Plan.

For members who elect to have their retirement annuities provided by the Pension Board, the member's accumulated balance in the Pension Fund at the date of retirement is transferred to the Saskatchewan Pension Annuity Fund.

e) Completeness of Contributions

Participants are responsible for the accuracy and completeness of member contributions remitted to the Plan and for the employee payroll information on which benefit payments are determined.

Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions and payroll information received from participants.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant:

Investments

Investment in bonds and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.

Short term investments are valued at cost which approximates market value.

Real estate is valued at market value as estimated by independent appraisals.

Mortgages are valued by discounting the present value of all income streams accruing to the mortgage. The discount rate applied to these income streams should reflect the current market rate for comparable mortgages of a comparable term.

Pooled funds are valued based on the quoted market price of the underlying investments normally the current bid price.

The change in market value of investment during the year is reflected on the financial statements as a current period change in the market values of investments.

Fair value approximates market value of investments.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as Canadian equities, pooled funds, money market securities, and bonds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

b) Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Plan. The Plan limits the credit risk by dealing with issuers of securities that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service and or the Canadian Bond Rating Service.

Short Term Investments

Short term investments are comprised of T-Bills, notes and commercial paper with effective rates of 4.60% to 4.90% in the Balanced Fund(1998-4.4% - 5.0%), and 4.70% to 4.80% in the Pre-Retirement Fund and an average remaining term to maturity of 63 days in the Balanced Fund (1998 - 28 days) and 8 days in the Pre-Retirement Fund. The Plan's investment policy states that investments must meet a minimum investment standard of "R1" or equivalent rating and Canadian Grain companies with an "R2" rating, as rated by a recognized credit rating service.

Other than the Government of Canada, no single issue represents more than 13.38% of the market value (1998 - 12.75%) of the short term investment portfolio.

4. Earnings Allocation to Members - Pension Fund

Investment income and the current year's allocation of the change in the market values of investments is allocated annually to the individual member's account balances in accordance with the provisions of the governing legislation. In 1999, an interest rate of 4.21% for the Balanced Fund(1998 - 26.04%), and 5.00% for the Pre-Retirement Fund was approved by the Pension Board for the Plan.

5. Transfers, Refunds and Benefit Payments

(in thousands of dollars)

	<u>1999</u>	<u>1998</u>
Termination refunds	\$ 295	\$ 418
Death and lump sum benefits	3,427	3,768
Marital transfers	1,591	2,190
Transfers to registered retirement savings plans and to private companies providing annuities	44,128	43,785
Reciprocal transfers out	<u>1,813</u>	<u>3,108</u>
	<u>\$51,254</u>	<u>\$53,269</u>

6. Due From General Revenue Fund

The Plan's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Plan's bank accounts using the Government's thirty day borrowing rate and the Plan's bank account balance. The average 30-day borrowing rate in 1999 was 4.69% (1998 - 5.04%).

7. Administration Expenses

a) Administration

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees which are paid directly.

(in thousands of dollars)

	<u>1999</u>		<u>1998</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
Administration costs	\$1,660	\$1,523	\$1,010	\$1,133
Custodial fees	275	286	220	240
Investment management fees	<u>2,520</u>	<u>2,536</u>	<u>1,855</u>	<u>2,186</u>
	<u>\$4,455</u>	<u>\$4,345</u>	<u>\$3,085</u>	<u>\$3,559</u>

Bonds and Debentures

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. No more than 9% of the market value of the total portfolio may be invested in BBB rated bonds. At March 31, 1999 the Balanced Fund held 0.35% (1998 -1.17%) of its portfolio in BBB bonds.

BALANCED FUND

Years to Maturity	1999 (000's)				Total Market Value	Yield to Maturity at Market	Coupon Rate	1998 (000's)		
	Federal	Provincial	Corporate	Municipal				Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	101,783	21,006	26,752	1,017	150,558	5.47	4.38-10.00	158,215	6.98	0.00-14.75
5 - 10	24,330	33,038	18,341	-	75,709	5.83	5.50-8.75	88,367	6.32	0.00-8.75
Over 10	118,377	13,760	7,985	-	138,122	5.47	5.50-7.50	100,422	5.50	0.00-8.00
Market Value	242,490	67,804	53,078	1,017	364,390			347,004		

PRE-RETIREMENT FUND

Years to Maturity	1999 (000's)				Total Market Value	Yield to Maturity at Market	Coupon Rate	1998 (000's)		
	Federal	Provincial	Corporate	Municipal				Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	5,993	2,166	-	-	8,159	6.58	5.50-8.63	-	-	-

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

The Plan's investment policy allows no one holding to represent more than 10% of the market value of the related portfolio and no one holding to represent more than 10% of the common stock in any corporation. Foreign equities represent 27.26% (1998 - 27.13%) of the market value of the equity portfolio. All foreign equities are denominated in Canadian dollars. Dividends are generally declared on an annual basis. The average dividend rate is 1.91% (1998 - 2.75%).

Market Value (In thousands of dollars)

Balanced Fund:

	1999	1998
Common shares (Canadian & Foreign)	\$415,312	\$385,385
Private equity	-	1,140
	<u>\$415,312</u>	<u>\$386,525</u>

Pooled Funds

The Plan limits its investments in pooled equity funds to 10% of the fair value of its investment portfolio. Foreign equities including foreign pooled funds, but excluding synthetic pooled funds, are limited to 20% of the cost of the investment portfolio and are denominated in Canadian dollars. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the Fund Manager. The Plan's pooled funds are comprised of:

	Market Value (in thousands of dollars)	
Balanced Fund:	1999	1998
Canadian Equity		
Barclays Global Inv Cda Ltd TSE 300	\$ 168,099	\$ 243,993
Newcastle Derivative Mid Cap Fund	46,138	.
Global Equity		
Greystone Emerging Market Fund	14,437	14,508
Greystone Non-North American Fund	101,064	89,824
Templeton Specialty Non-North American Fund	184,739	193,464
Fixed Income Funds		
Emerald Bond Fund	496,006	390,323
Other Canadian		
Barclay Global Inv. Synthetic US Equity Fund	<u>195,912</u>	<u>228,759</u>
	<u>\$1,206,395</u>	<u>\$1,160,871</u>

Newcastle Derivative Mid Cap Fund combines S&P 400 stock index futures with Canadian money market instruments to create a US equity investment, hedged into Canadian dollars. Barclay's Synthetic US Equity Fund also uses US stock index futures combined with Canadian money market instruments to create a US equity investment.

Investment income of \$3,112,806 (1998 - \$19,593,680) was recorded from the pooled funds managed by Greystone Capital Management Inc.

Mortgages

All mortgages are secured by Canadian commercial properties and have effective and stated interest rates of 5.8% to 10.75% (1998 - 5.7% to 11.4%) with an average remaining term of 7.27 years (1998 - 7.11 years). Principal and interest are receivable on a monthly basis.

Real Estate

Investments in real estate consist of Canadian commercial property.

Included in Real Estate are investments of \$4,490,088 (1998 - \$4,705,567) in SaskPen Properties Ltd. SaskPen Properties Ltd. is a real estate corporation beneficially owned by Crown managed pension funds in the Province of Saskatchewan.

b) Investment Management Services

Greystone Capital Management Inc. (GCMI), Templeton Management Ltd., TD Quantitative Capital Inc., Barclays Global Investors Canada Limited, Newcastle Capital Management, and AMI Partners Inc. invested the monies of the Plan during the year, under a contract to provide services.

The Pension Fund is a shareholder in GCMI along with several other Saskatchewan public sector pension funds and government agencies.

The Pension Fund holds 13.75% of the total shares outstanding in GCMI. In 1998, there were two classes of shares in GCMI and the Fund held 11.1% of Class A shares and 14.2% of Class B shares.

8. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the Government. These financial statements include transactions with these agencies and the Plan, a pension plan established by the Government of Saskatchewan. Related party transactions with the Plan are in the normal course of operation and are recorded at standard rates charged by these organizations.

a) Administration

Expenses associated with administering the Fund are paid out of the Fund to the Public Employees Benefits Agency Revolving Fund.

b) Investments

The pension fund holds \$7,136,169 (1998 - \$5,172,234) Province of Saskatchewan Bonds and Debentures with a yield of 5.4% (1998 - 6.9%). Investment income of \$412,967 (1998 - \$586,368) was recorded from the Province of Saskatchewan Bonds and Debentures.

Other related party transactions are disclosed separately in these financial statements.

Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled on normal trade terms.

9. Investment Performance

The investment manager makes day to day decisions on whether to buy or sell investments in order to achieve the long term performance objectives set by the Pension Board. The Pension Board reviews the investment performance of the plan in terms of the performance of the benchmark portfolio over 4 year rolling periods. The primary long term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Plan's investment performance:

	<u>Rolling Four Year Average Annual Return</u>	
	<u>Balanced Fund</u>	
	<u>1999</u>	<u>1998</u>
Plan's actual rate of return (a)	14.9%	14.9%
Target rate of return (b)	14.6%	14.6%

(a) The annual returns are before deducting investment expenses.

(b) The Plan's target rate of return for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange 300 Index, Standard & Poors 500 US Stock Index, Morgan Stanley, Europe, Australia and Far East Index, Russell Canadian Property Index, Scotia Capital Markets Universe Bond Index, and 91 Day Canadian Treasury Bill.

The Pre-Retirement Fund was first funded on July 7, 1998. The actual rate of return for the Fund from July 7, 1998 to March 31, 1999 was 4.1%. The target rate of return over the same period was 4.5%. The target rate of return is based on the "All Governments" portion of the Scotia Capital Markets Short Term Bond Index.

10. Fair Value

For the following financial instruments:

- a) receivables
- b) cash
- c) due from General Revenue Fund
- d) administrative expenses payable, and
- e) refunds, transfers and other payables
- f) Due from Balanced Fund/Pre-Retirement Fund

the carrying amounts approximates fair value due to their immediate or short-term maturity.

The fair value of all other investments is considered to be market value, the determination of which is disclosed in note 2.

11. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or other third parties, will be fully resolved.

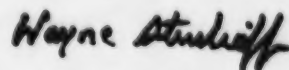
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits of the Public Service Superannuation Plan as at March 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at March 31, 1999 and the changes in the net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
April 30, 1999, except
as to Note 4 which is
of May 4, 1999

Wayne Strelieff, CA
Provincial Auditor

PUBLIC SERVICE SUPERANNUATION PLAN **STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**

STATEMENT 1

AS AT MARCH 31

	Anti-Tuberculosis League Employees Superannuation Fund (000's)		Sask Transportation Company Employees Superannuation Fund (000's)		Public Service Superannuation Fund (000's)		Total (000's)	
	1999	1998	1999	1998	1999	1998	1999	1998
ASSETS								
Investments (Note 3):								
Cash and short term investments	\$ -	\$ -	\$ 429	\$ 611	\$ -	\$ -	\$ 429	\$ 611
Bonds and debentures	-	194	12,655	12,616	-	-	12,655	12,810
Equities	-	-	5,423	5,808	-	-	5,423	5,808
Pooled Funds	-	-	1,027	1,105	-	-	1,027	1,105
Mortgages	-	-	93	117	-	-	93	117
Real estate	-	-	1,134	1,127	-	-	1,134	1,127
Receivables:								
Due from General Revenue Fund (Notes 5 & 6)	53	177	9	5	624	-	686	182
Employees' contributions (Note 6)	-	-	9	9	448	194	457	203
Employers' contributions (Note 6)	-	-	8	9	40	37	48	46
Accrued investment income	-	-	192	181	-	-	192	181
Other Receivables	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>12</u>	<u>2</u>	<u>15</u>
Total Assets	\$ <u>54</u>	\$ <u>373</u>	\$ <u>20,980</u>	\$ <u>21,589</u>	\$ <u>1,112</u>	\$ <u>243</u>	\$ <u>22,146</u>	\$ <u>22,205</u>
LIABILITIES								
Administrative expense payable	\$ 3	\$ 2	\$ 18	\$ 9	\$ -	\$ -	\$ 21	\$ 11
Other Payables	-	-	<u>1</u>	<u>1</u>	<u>1,112</u>	<u>243</u>	<u>1,113</u>	<u>244</u>
Total Liabilities	<u>3</u>	<u>2</u>	<u>19</u>	<u>10</u>	<u>1,112</u>	<u>243</u>	<u>1,134</u>	<u>255</u>
NET ASSETS AVAILABLE FOR BENEFITS	\$ <u>51</u>	\$ <u>371</u>	\$ <u>20,961</u>	\$ <u>21,579</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>21,012</u>	\$ <u>21,950</u>

See accompanying notes to the financial statements.

PUBLIC SERVICE SUPERANNUATION PLAN **STATEMENT 2** **STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

YEAR ENDED MARCH 31

	Anti-Tuberculosis League Employees Superannuation Fund (000's)		Sask Transportation Company Employees Superannuation Fund (000's)		Public Service Superannuation Fund (000's)		Total (000's)	
	1999	1998	1999	1998	1999	1998	1999	1998
INCREASE IN ASSETS:								
Investment income								
Interest	\$ -	\$ -	\$ 787	\$ 852	\$ -	\$ -	\$ 787	\$ 852
Dividends-Equities	-	-	75	110	-	-	75	110
Dividends-Pooled Funds	-	-	30	17	-	-	30	17
Real Estate	-	-	7	92	-	-	7	92
Mortgages	-	-	58	11	-	-	58	11
Other	5	6	2	1	-	-	7	7
	<u>5</u>	<u>6</u>	<u>959</u>	<u>1,083</u>	<u>-</u>	<u>-</u>	<u>964</u>	<u>1,089</u>
Market value adjustment	2	24	75	2,986	-	-	77	3,010
Contributions (Note 6)								
Employees'	4	3	117	129	5,950	6,217	6,071	6,349
Employers'	3	3	116	126	515	570	634	699
	<u>7</u>	<u>6</u>	<u>233</u>	<u>255</u>	<u>6,465</u>	<u>6,787</u>	<u>6,705</u>	<u>7,048</u>
Deficiency payment from General Revenue Fund (Note 6)	<u>426</u>	-	-	-	<u>86,117</u>	<u>80,125</u>	<u>87,203</u>	<u>80,125</u>
Total increase in assets	<u>440</u>	<u>36</u>	<u>1,267</u>	<u>4,324</u>	<u>93,242</u>	<u>86,912</u>	<u>94,949</u>	<u>91,272</u>
DECREASE IN ASSETS:								
Administration expense (Note 7)	24	24	108	90	-	-	132	114
Superannuation allowances	736	735	1,711	1,682	91,129	85,887	93,576	88,304
Refunds and transfers								
Contributions	-	-	32	96	743	479	775	575
Interest	-	-	34	85	816	512	850	597
Equity on death	-	-	-	-	24	74	24	74
Marital breakdown	-	-	-	-	60	123	60	123
Employer matching on reciprocal transfer	-	-	-	46	470	(163)	470	(117)
Total decrease in assets	<u>760</u>	<u>759</u>	<u>1,885</u>	<u>1,999</u>	<u>93,242</u>	<u>86,912</u>	<u>95,887</u>	<u>89,670</u>
Net (decrease) increase in assets	(320)	(723)	(618)	2,325	-	-	(938)	1,602
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	<u>371</u>	<u>1,094</u>	<u>21,579</u>	<u>19,254</u>	<u>-</u>	<u>-</u>	<u>21,950</u>	<u>20,348</u>
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	<u>\$ 51</u>	<u>\$ 371</u>	<u>\$ 20,961</u>	<u>\$ 21,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,012</u>	<u>\$ 21,950</u>

See accompanying notes to the financial statements.

PUBLIC SERVICE SUPERANNUATION PLAN NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1999

1. Description of the Plan

a) General

The Public Service Superannuation Board (Board) administers the Funds that make up the Public Service Superannuation Plan. Day-to-day administration is provided by the Public Employees Benefits Agency.

The Public Service Superannuation Plan is a defined benefit final average pension plan. Plan details are contained in *The Public Service Superannuation Act* and *The Superannuation (Supplementary Provisions) Act*. The three main components of the Plan are described as follows:

i) Anti-Tuberculosis League Employees Superannuation Fund

The Anti-Tuberculosis League Employees Superannuation Fund (AntiTB Fund) was established under provisions of an amendment to *The Public Service Superannuation Act*, effective April 1, 1979. The AntiTB Fund was established to accumulate contributions paid by employees of the Saskatchewan Anti-Tuberculosis League and any investment income.

ii) Saskatchewan Transportation Company Employees Superannuation Fund

The Saskatchewan Transportation Company Employees Superannuation Fund (STC Fund) was established by an amendment to *The Public Service Superannuation Act*, effective April 1, 1981. The STC Fund was established to accumulate contributions paid by employees of the Saskatchewan Transportation Company as of March 31, 1981 and any investment income.

iii) Public Service Superannuation Fund

Members of the Public Service Superannuation Fund (PSSF) include those public service employees who were employed prior to October 1, 1977 and did not elect to transfer to the Public Employees Pension Plan prior to October 1, 1978.

b) Funding Policy

Members contribute at the rate of 7%, 8% or 9% of salary depending on their age at the date of commencement of employment. Contributions are reduced by an amount equal to deemed Canada Pension Plan contributions.

Certain employers are required to match employees' contributions in respect of current service.

c) Retirement

Normal retirement is at age 65. Members may retire earlier under certain conditions.

d) Pensions

Annual pensions are calculated as 2% of a member's average salary during the five years of highest salary, multiplied by the total number of years of service to a maximum of 35. At age 65, members' pensions are reduced due to integration with the Canada Pension Plan.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant.

a) Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

b) Investments

Investments in bonds and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers. In the absence of recorded sales, reference is made to closing year end bid and ask prices.

Short-term investments are recorded at cost which approximates market value. Investments in real estate are recorded at market as estimated by independent appraisals. Mortgages are recorded at market using current market yields.

Pooled funds are recorded based on the quoted market price of the underlying investments, normally the current bid price.

The change in the market value of investments during the year is reflected in the statement of changes in the net assets available for benefits as a market value adjustment.

Fair value of the investments approximates the market value.

3. Investments**STC Fund:**

The investment objectives of the Fund are to ensure the Fund has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Fund's liabilities, the Fund takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as Canadian equities, pooled funds, money market securities, and bonds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities.

The value of the Fund's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of rate of return on the investments as well as expectations of inflation and salary escalation.

b) Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Fund. The Fund limits the credit risk by dealing with issuers that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service and/or the Canadian Bond Rating Service.

Short-Term Investments

Short term investments are comprised of T-Bills, notes and commercial paper with effective interest rates of 4.7% to 4.9% (1998 - 4.4% to 4.8%) and an average remaining term to maturity of 96 (1998 - 34) days. The Fund's investment policy states that investments must meet a minimum investment standard of "R-1", as rated by a recognized credit rating service or "R-2" for Canadian Grain Companies. Other than Government of Canada, no single issuer represents more than 19.8% of the market value (1998 - 25.6%) of the short-term investment portfolio.

Bonds and Debentures

The Fund's investment policy states that corporate bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. No more than 10% of the total portfolio may be invested in BBB rated corporate bonds. As at March 31, 1999, the Fund held 1.2% (1998 - 2.9%) in BBB corporate bonds.

Years to Maturity	1999 (000's)						1998 (000's)		
	Federal	Provincial	Corporate	Total Market Value	Yield to Maturity at Market	Coupon Rate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	\$ 3,314	\$ 779	\$ 975	\$ 5,068	4.5-7.3%	4.5-8.0%	\$ 5,319	5.0-7.6%	4.9-8.5%
5 - 10	829	906	704	2,439	5.4-7.4%	5.5-8.8%	3,244	5.9-7.5%	6.0-8.0%
Over 10	3,990	860	298	5,148	5.3-6.7%	5.5-7.9%	4,053	5.5-7.5%	5.5-10.8%
Market Value	\$ 8,133	\$ 2,545	\$ 1,977	\$12,655			\$ 12,616		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

The Fund's equities include common shares that have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis. The average effective rate is 1.34%.

The Fund's investment policy allows no one holding to represent more than 10% of the market value of the equity portfolio and no one holding to represent more than 10% of the common stock in any corporation. Foreign equities represent 5.1% (1998 - 5.5%) of the market value of the Fund. All foreign equities are denominated in Canadian dollars.

Pooled Funds

The Plan holds units in pooled funds which have no fixed interest rate and its returns are based on the success of the fund manager.

Foreign equities including foreign pooled funds are limited to 20% of the cost of the investment portfolio and are denominated in Canadian dollars. The pooled funds are comprised of the Greystone Capital Non-North American Fund \$881,000 (1998 - \$881,000) and Greystone Capital Emerging Markets Fund \$146,000 (1998 - \$225,000).

Mortgage

The mortgage is secured by a Canadian commercial property and has an effective and stated interest rate of 9.0% with a remaining term of 5.1 years. Principal and interest are receivable on a monthly basis.

Real Estate

Investments in real estate consist of Canadian commercial property.

4. Obligations for Pension Benefits

The present value of accrued pension benefits was determined using the projected benefit method, pro rated on services and the best estimate assumptions approved by the Public Employees Benefits Agency. An actuarial valuation was performed as at December 31, 1996 by William M. Mercer Ltd. and an extrapolation was made to March 31, 1998 and March 31, 1999.

The actuarial present value of benefits as at March 31 and the principal components of changes in actuarial present values during the year were as follows:

	<u>AntiTB Fund</u> (000's)		<u>STC Fund</u> (000's)		<u>PSSF Fund</u> (000's)	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
Actuarial present value of accrued pension benefits at beginning of year	\$6,351	\$6,654	\$ 25,265	\$ 25,159	\$1,266,632	\$1,255,720
Difference in ad hoc indexing experience	(7)	(15)	(21)	(38)	(1,219)	(2,269)
Interest accrued on benefits	419	439	1,729	1,716	86,340	85,707
Benefits accrued	8	8	344	338	14,639	14,387
Benefits paid	<u>(736)</u>	<u>(735)</u>	<u>(1,778)</u>	<u>(1,910)</u>	<u>(93,242)</u>	<u>(86,913)</u>
Actuarial present value of accrued pension benefits at end of year	6,035	6,351	25,539	25,265	1,273,150	1,266,632
Net assets available for benefits	<u>(51)</u>	<u>(371)</u>	<u>(20,961)</u>	<u>(21,579)</u>	-	-
Unfunded liability	<u>\$5,984</u>	<u>\$5,980</u>	<u>\$ 4,578</u>	<u>\$ 3,686</u>	<u>\$1,273,150</u>	<u>\$1,266,632</u>

The assumptions used in determining the actuarial value of accrued pension benefits are as follows:

- salary escalation rate is 5.0%
- inflation rate is 4.0%
- interest rate is 7.0%

The pension liability is long-term in nature. The Funds have no intention of settling their pension obligation in the near term and there is no market for settling their pension obligations. Therefore,

determination of the fair value of the pension liability is not practical.

The pension liability is based on a number of assumptions about future events including: interest, rate of salary increase, mortality, retirement rates, termination rates and inflation. The actual rates may vary significantly from the long-term assumptions used.

The following illustrates the effect on the pension liability of changing certain assumptions from the estimated rates of inflation 4.0%, salary 5.0% and investment rate 7.0% and post-retirement indexing 50% of inflation.

Long-term Assumptions								
Effect on Liability	Salary		Investment Return		Inflation		Post-retirement Indexing	
	4.0%	6.0%	6.0%	8.0%	3.0%	5.0%	1.5%	2.5%
AntiTB (decrease) increase	(.2%)	.2%	7.5%	(6.6%)	(2.8%)	2.7%	(2.6%)	2.5%
STC (decrease) increase	(1.6%)	1.6%	12.1%	(10.0%)	(5.1%)	5.4%	(3.5%)	3.7%
PSSF (decrease) increase	(1.9%)	2.0%	12.7%	(10.4%)	(5.6%)	6.0%	(3.8%)	3.9%

The actuarial present value of accrued pension benefits contains a provision for ad hoc increases which are subject to Lieutenant Governor in Council approval. The ad hoc assumption is 50% of CPI based on previous year's experience. The Lieutenant Governor in Council may provide for supplementary allowances to be paid to superannuates in any year, in any amount and subject to any terms and conditions he considers advisable.

The unfunded liability for AntiTB Fund and STC Fund are not payable immediately. The expected cash inflows from contributions and investment income and the expected cash outflows to pay the required pension obligation are calculated using the above assumptions. The net cash outflows for the AntiTB Fund in the next 5 years would be \$3.5 million, in the next 10 years \$6.4 million and in the next 28 years \$12.0 million. The net cash flows for the STC Fund in the next 5 years would be \$1.3 million, in the next 10 years \$7.0 million, and in the next 28 years \$50.1 million.

Subsections 60.1(12) and 60.2(13) of *The Public Service Superannuation Act* indicate that if there are insufficient moneys in the Funds to pay allowances or other payments, the Minister of Finance is obligated to pay any such deficiency out of the General Revenue Fund.

5. Due From General Revenue Fund

The STC Fund and the AntiTB Fund bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

Each Fund's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into each Fund's bank account using the Government's thirty-day borrowing rate and the Fund's average daily bank account balance.

6. Deficiency Payment from the General Revenue Fund

Under Section 40 of *The Public Service Superannuation Act* for the Public Service Superannuation Fund, all funds received by the Board are recorded as revenue of the General Revenue Fund. No funds are set aside for the payment of future benefits. All allowances or other payments are made

out of the General Revenue Fund. The Fund's deficiency payment from the General Revenue Fund in 1999 is \$93,242,000 (1998 - \$86,913,000) of which contributions make up part of this payment.

7. Related Party Transactions

a) Administration

- i) The annual operating expenditures associated with the administration of the STC Fund and Anti-TB Fund are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees which are paid directly.

	1999 (000's)			1998 (000's)		
	AntiTB	STC	Total	AntiTB	STC	Total
Administration costs	\$ 24	\$ 56	\$ 80	\$ 24	\$ 44	\$ 68
Custodial fees	-	23	23	-	29	29
Investment management fees	-	29	29	-	17	17
	<u>\$ 24</u>	<u>\$ 108</u>	<u>\$ 132</u>	<u>\$ 24</u>	<u>\$ 90</u>	<u>\$ 114</u>

ii) Public Service Superannuation Fund

In accordance with subsection 3(3) of *The Public Service Superannuation Act*, all general administrative and employee costs required for the administration of the Board are paid out of the General Revenue Fund of the Province of Saskatchewan. Accordingly, no provision for these costs is included in these financial statements.

b) Investment Management Services

Greystone Capital Management Inc. (GCMI) provides investment management services to the Funds on a fee-for-service basis. The STC Fund is a shareholder in GCMI along with several other Saskatchewan public sector pension funds and government agencies.

The STC Fund holds 2,861 common shares, 0.3% of total shares outstanding in Greystone Capital Management Inc. (1998 - 100 Class A and 2,867 Class B). During the year the Class A and Class B shares were converted to common shares.

c) Investment Holdings

Included in Bonds and Debentures and income of the STC Fund are Province of Saskatchewan holdings totalling \$239,000 (1998 - \$68,000).

The STC Fund holds 17,873 (1998 - 22,349) units, 0.18% (1998 - 0.22%) of total units outstanding in the Greystone Capital Emerging Markets Fund. The market value of these units is \$146,000 (1998 - \$224,000) and investment income totalled \$3,000 (1998 - \$5,000). The Greystone Capital Emerging Markets Fund is an investment fund investing in Emerging Foreign Markets which is managed by GCMI.

The STC Fund holds 61,603 (1998 - 68,493) units, 0.14% (1998 - 0.16%) of total units outstanding in the Greystone Capital Non-North American Fund. The market value of these units is \$881,000 (1998 - \$881,000) and investment income totalled \$27,000 (1998 - \$12,000). The Greystone Capital Non-North American Fund is an investment fund investing primarily in established foreign markets which is managed by GCMI.

Account balances resulting from the above transactions are included in the statements of net assets available for benefits and are settled on normal trade terms. Other transactions are disclosed separately in these financial statements.

8. Investment Performance - STC Fund

The investment manager makes day-to-day decisions on whether to buy or sell investments in order to achieve the long-term performance objectives set by the Public Service Superannuation Board. The Board reviews the investment performance of the Fund in terms of the performance of the benchmark portfolio over four-year rolling periods. The primary long-term investment performance objective for the entire portfolio is to outperform a benchmark portfolio.

The following is a summary of the Fund's investment performance:

	<u>1999</u>	<u>Rolling Four Year Average Annual Return</u>
Fund's actual rate of return (a)	5.2%	14.4%
Target rate of return (b)	3.8%	12.9%

(a) The annual returns are before deducting investment expenses.

(b) The Fund's target rate of return for its investment portfolio (return on the benchmark portfolio) has been determined using the actual returns of the market indexes such as the Toronto Stock Exchange 300 Index, Standard & Poor's 500 US Stock Index and the Scotia Capital Markets Universe Bond Index.

9. Receivables/Administrative Expense Payables and Other Payables

These financial instruments are interest and non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the carrying value approximates fair value.

10. Cash Flow Forecast - Public Service Superannuation Fund

The total cash inflows are the amount of contributions and investment income expected to be received by the pension plan. The total cash outflows are the amounts required to pay all pension obligations. The forecast of cash inflows and outflows have been determined using the following long-term assumptions outlined in Note 4:

The cash required is the amount by which the cash outflows exceed cash inflows and is forecast to the year 2027.

Year	Cash Inflows (000's)	Cash Outflows (000's)	Cash Required (000's)
1999-2000	\$ 7,247	\$ 84,917	\$ 77,670
2000-2001	7,161	84,964	77,803
2001-2002	7,058	85,399	78,341
2002-2003	6,787	86,479	79,692
2003-2004	6,484	87,858	81,374
Total within 5 years	\$ 34,737	\$ 429,617	\$ 394,880
Total 5 - 10 years	\$ 25,083	\$ 479,605	\$ 454,522
Total 11 - 28 years	\$ 6,269	\$ 2,204,506	\$ 2,198,237

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

12. Comparative Figures

Certain comparative figures have been reclassified to conform to current year presentation.

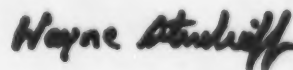
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Saskatchewan Pension Annuity Fund as at March 31, 1999 and the statements of operations and net assets (deficit) and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Wayne Strelieff, CA
Provincial Auditor

Regina, Saskatchewan
June 4, 1999, except as to
Note 6 which is of
July 7, 1999

STATEMENT 1

**SASKATCHEWAN PENSION ANNUITY FUND
STATEMENT OF FINANCIAL POSITION**

AS AT MARCH 31

	1999	1998 (Restated Note 3)
ASSETS		
Investments (Note 4)		
Short term	\$ 1,056,494	\$ 1,668,303
Bonds and debentures	<u>62,949,752</u>	<u>53,253,354</u>
	<u>64,006,246</u>	<u>54,921,657</u>
Receivables (Note 8)		
Accrued investment income	1,135,033	987,888
Members' accumulated contributions receivable	7,510	235,569
Due from General Revenue Fund (Note 5)	<u>150,047</u>	<u>4,697</u>
	<u>1,292,590</u>	<u>1,228,154</u>
Cash (Note 8)	<u>4,581</u>	<u>153,680</u>
Total Assets	<u>\$65,303,417</u>	<u>\$56,303,491</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities:		
Administration expenses payable (Note 8)	21,079	11,983
Accumulated provision for annuities payable (Note 6)	<u>64,497,608</u>	<u>56,536,000</u>
Total Liabilities	64,518,687	56,547,983
Net Assets (deficit)	<u>784,730</u>	<u>(244,492)</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$65,303,417</u>	<u>\$56,303,491</u>

See accompanying notes to the financial statements.

STATEMENT 2

**SASKATCHEWAN PENSION ANNUITY FUND
STATEMENT OF OPERATIONS AND NET ASSETS (DEFICIT)**

YEAR ENDED MARCH 31

	1999	1998 (Restated Note 3)
REVENUES		
Transfers from Public Employees Pension Plan	\$ 9,507,862	\$ 6,309,991
Investment income	<u>5,364,023</u>	<u>5,515,305</u>
Total Revenue	<u>14,871,885</u>	<u>11,825,296</u>
EXPENSES		
Change in accumulated provision for annuities payable (Note 6)	7,961,608	5,915,000
Annuities paid	5,741,392	5,138,759
Administration expenses (Note 9)	<u>139,663</u>	<u>113,333</u>
Total Expenses	<u>13,842,663</u>	<u>11,167,092</u>
Net income for the year	1,029,222	658,204
NET ASSETS (DEFICIT), BEGINNING OF YEAR	---	---
RESTATEMENT (NOTE 3)	<u>(244,492)</u>	<u>(902,696)</u>
NET ASSETS (DEFICIT), AFTER RESTATEMENT		
BEGINNING OF YEAR	<u>(244,492)</u>	<u>(902,696)</u>
NET ASSETS (NET DEFICIT), END OF YEAR (Statement 1)	<u>\$ 784,730</u>	<u>\$ (244,492)</u>

See accompanying notes to the financial statements.

STATEMENT 3

SASKATCHEWAN PENSION ANNUITY FUND
STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	1999	1998
Cash flows from operating activities:		
Net income for the year	\$ 1,029,222	\$ 658,204
Adjustments for:		
Loss (gain) on sale of investments	(576,993)	(910,861)
Amortization of bond premiums and discounts	<u>(973,225)</u>	<u>(1,120,932)</u>
	(1,550,218)	(2,031,793)
Change in non-cash working capital:		
Decrease (increase) in members accumulated contributions receivable	228,059	(223,405)
(Increase) in accrued investment income	(147,145)	(83,528)
Increase (decrease) in administrative expenses payable	<u>9,096</u>	<u>(6,699)</u>
	90,010	(313,632)
Increase in accumulated provision for annuities payable	7,961,608	5,915,000
Cash flows from operating activities	7,530,622	4,227,779
Cash flows from investing activities:		
Purchase of investments	(114,111,538)	(54,067,997)
Proceeds from sale of investments	<u>106,577,166</u>	<u>49,949,840</u>
	(7,534,372)	(4,118,157)
Net (decrease) increase in cash	(3,750)	109,622
CASH, BEGINNING OF YEAR	<u>158,377</u>	<u>48,755</u>
CASH, END OF YEAR	\$ <u>154,627</u>	\$ <u>158,377</u>

See accompanying notes to the financial statements.

SASKATCHEWAN PENSION ANNUITY FUND NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1999

1. Description of Plan

The Public Employees Pension Board (Pension Board) administers the Saskatchewan Pension Annuity Fund (Fund). The day-to-day administration is provided by the Public Employees Benefits Agency (PEBA). The Fund operates pursuant to Section 5 of *The Saskatchewan Pension Annuity Fund Act (Act)*.

The purpose of the Fund is to provide annuities to members of designated pension plans. Members of a designated plan may upon retirement elect to receive an annuity from the Fund, as an alternative to purchasing an annuity from a private company that issues annuities. Those electing to receive an annuity from the Fund transfer their accumulated contributions and interest from their designated plan to the Fund at the time of retirement.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant:

a) Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

b) Investments

Investments are recorded at cost. Premiums and discounts on the acquisition of bonds and debentures are amortized to earnings over the term of the security. Gains or losses realized upon the sale of investments are recognized in the period of disposition.

c) Accumulated Provision for Annuities Payable

The accumulated provision for annuities payable represents the present value of the annuities underwritten by the Pension Board and is determined pursuant to an annual actuarial valuation.

Any resulting change in the liability pursuant to the valuation is recognized as revenue or expense in the statement of operations and net assets.

d) Cash and Cash Equivalents

Cash consists of cash balances with the investment custodian and the amount due from the General Revenue Fund.

3. Accounting Change

During the year, the Fund retroactively changed its accounting policy for recording a receivable from the General Revenue Fund as described in note 7.

Prior to 1999 management recorded the amount by which liabilities exceeded assets of the Fund as accounts receivable from the General Revenue Fund (GRF), notwithstanding whether or not money was needed to meet the Fund's liabilities to the annuitants over the next few years. During 1999, management of the Fund changed its policy retroactively to record accounts receivable from the GRF only if the money was needed to meet the Fund's liabilities to the annuitants. As the Fund's assets exceeded its liabilities, as at March 31, 1999, the Fund has not recorded any receivable from GRF for the year ended March 31, 1999. Under the previous accounting policy, the Fund would have recorded \$244,492 as receivable from the GRF notwithstanding the fact that the Fund's assets exceeded its liabilities as at March 31, 1999.

Also, as a result of this change, the Fund's 1998 financial statements have been restated by reducing the decrease in receivable from GRF by \$658,204 (1997 – increases by \$902,696) and increasing net assets by the same amount. This change has no impact on the net income of the Fund.

4. Investments

The investment objective is to structure the investment portfolio to limit the effect on the Fund due to changes in the level of interest rates, to provide sufficient liquidity for payments to annuitants when due, and to ensure long-term solvency.

The Fund holds investments in long-term bonds with terms matching the remaining life expectancies of annuitants.

The projected cash inflows over the life of the Fund are expected to meet the cash outflows.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities.

The value of the Fund's assets is affected by short-term changes in nominal interest rates and equity markets.

b) Credit Risk

Credit risk arises from the potential for issuers of securities to default on their contractual obligations to the Fund. The Fund limits the credit risk by dealing with issuers that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service and/or the Canadian Bond Rating Service.

Short Term Investments

Short term investments are comprised of T-Bills and notes with effective rates of 4.70% to 4.80% (1998 - 4.50% to 4.90%) and an average remaining term to maturity of 8 (1998 - 32) days. The Fund's investment policy states that investments must meet a minimum investment standard of "R1" as rated by a recognized credit rating service. Other than the Government of Canada, no single issue represents more than 0% of the market value (1998 - 11.87%) of the short term investment portfolio.

Bonds and Debentures

The Fund's investment policy states that government bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. No more than 15% of the par value of the bond portfolio may be invested in BBB rated bonds. At March 31, 1998 and 1999, the Fund held none of its portfolio in BBB bonds.

No more than 10% of the market value of the bond portfolio may be invested in corporate bonds. At March 31, 1999 the Fund held 10.63% (1998 - 13.12%). The minimum credit rating for corporate bonds is "A" or equivalent as rated by a recognized credit rating service.

(in thousands of dollars)

Years to Maturity	1999						1998		
	Federal	Provincial	Corporate	Total Market Value	Yield to Maturity at Market	Coupon Rate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	975	1,527	3,094	5,596	5.52	0.00-11.00	8,201	3.55	0.00-11.00
5 - 10	4,719	3,150	-	7,869	2.45	0.00-9.63	7,050	4.12	0.00-9.63
Over 10	22,774	32,598	4,726	60,098	5.58	0.00-11.25	48,144	5.81	0.00-11.25
Market Value	28,468	37,275	7,820	73,563			53,395		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

The Fund's investments are comprised of:

	(in thousands of dollars)			
	1999		1998	
	Cost	Market Value	Cost	Market Value
<u>Bonds and Debentures</u>				
Province of Saskatchewan	\$ 1,518	\$ 1,949	\$ 1,518	\$ 1,964
Other Provincial	40,494	35,326	38,345	31,481
Corporate	6,054	7,820	6,454	8,319
Canada	<u>29,755</u>	<u>28,468</u>	<u>22,462</u>	<u>21,631</u>
Total bonds and debentures at par value	77,821	73,563	68,779	63,395
Less unamortized discounts	<u>(14,871)</u>	<u>-</u>	<u>(15,525)</u>	<u>-</u>
Total bonds and debentures amortized cost	62,950	73,563	53,254	63,395
Short term investments	<u>1,056</u>	<u>1,056</u>	<u>1,668</u>	<u>1,668</u>
Total investments	<u>\$64,006</u>	<u>\$74,619</u>	<u>\$54,922</u>	<u>\$65,063</u>

Investments are recorded at cost because investments are matched with liabilities to minimize interest rate and reinvestment risk.

5. Due From General Revenue Fund

The Fund's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

The Fund's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Fund's bank accounts using the Government's thirty day borrowing rate and the Fund's bank account balance. The Government's average thirty day borrowing rate for 1998/99 is 5.0%.

6. Accumulated Provision for Annuities Payable

An actuarial valuation of the Fund was performed as at March 31, 1999 by Aon Consulting Inc. The actuarial valuation was based on a number of assumptions about future events such as interest rates and mortality. The interest rate assumptions were based on the annuity conversion rate for 15 years from date of issue, reducing to 6% thereafter. The average conversion rate of annuities presently being paid is 8.53%. For mortality, 80% of the 1983 Group Activity Mortality Table is used. The consulting actuaries estimated the present value for annuities payable, at March 31, 1999 was \$64,497,608 (1998 - \$56,536,000).

The annuity payable is based on assumptions about future events including: interest and mortality rates. The actual rates may vary significantly from the assumptions used. It is reasonably possible, based on existing assumptions, that changes in future conditions in the near term could require a material change in the annuity payable. A 1% increase in the interest rate decreases the liability \$5.1 million and a 1% decrease in the interest rate increases the liability \$6.0 million.

The accumulated provision for annuities payable is long term in nature. The Fund has no intention of settling it in the near term. Therefore, determination of the fair value of the accumulated provision for annuities payable is not practical.

7. Receivables from General Revenue Fund

Subsection 5(7) of the Act requires any amount by which the liabilities of the Annuity Fund exceed the assets of the Fund to be a charge on, and a payable out of, the General Revenue Fund. As the annuities payable are long-term liabilities and for 1999 the Fund's assets exceed its liabilities, the Fund has not recorded any amount as a receivable from the General Revenue Fund.

8. Receivables/Cash/Administrative Expenses Payables

Due to the short-term nature of these financial instruments, the fair value of these instruments approximates their carrying value.

9. Administration Expenses

	(In thousands of dollars)			
	1999		1998	
	Budget	Actual	Budget	Actual
Administration costs – PEBA	\$ 70	\$ 75	\$ 56	\$ 60
Custodial fees – Royal Trust	10	11	8	7
Investment management fees – Greystone Capital Management Inc.	55	54	45	46
	<u>\$ 135</u>	<u>\$ 140</u>	<u>\$ 109</u>	<u>\$ 113</u>

10. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the Government. These financial statements include transactions with these agencies and the Fund. Related party transactions with the Fund are in the normal course of operation and are recorded at exchange amounts agreed to by the parties to the transactions.

a) Investment Management Services

Greystone Capital Management Inc. (GCMI) provides investment management services to the Fund on a fee for service basis. The Fund is not a shareholder in GCMI, however, several other Saskatchewan public sector pension funds and government agencies hold shares in GCMI.

b) Investment Holdings

The Fund holds \$1,551,769 (1998 - \$1,549,515) Province of Saskatchewan Bonds and Debentures. For the year ended March 31, 1999, the investment income of \$150,484 (1998 - \$151,778) was earned on the Province of Saskatchewan Bonds and Debentures.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

11. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits of the Saskatchewan Pension Plan as at December 31, 1998 and the statements of changes in net assets available for benefits and operating expenses for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Regina, Canada
February 26, 1999

Ernst & Young LLP
Chartered Accountants

**Saskatchewan Pension Plan
Statement of Net Assets Available for Benefits
As at December 31**

(in thousands)

	1998			1997		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
ASSETS						
Investments (Note 3)						
Money Market	\$ 8,332	\$ 1,227	\$ 9,559	\$ 3,415	\$ 916	\$ 4,331
Bonds	57,157	39,366	96,523	53,104	36,077	89,181
Equities	60,745	-	60,745	60,149	-	60,149
	<u>126,234</u>	<u>40,593</u>	<u>166,827</u>	<u>116,668</u>	<u>36,993</u>	<u>153,661</u>
Cash	192	115	307	182	73	255
Accrued Interest and Dividends	881	576	1,457	1,088	543	1,631
Prepaid (Deferred)						
Retirement Transfers	465	(465)	-	537	(537)	-
Prepaid Pension Benefits	-	344	344	-	320	320
	<u>127,772</u>	<u>41,163</u>	<u>168,935</u>	<u>118,475</u>	<u>37,392</u>	<u>155,867</u>
LIABILITIES						
Operating Expenses Payable	88	25	113	92	24	116
Death and Other Benefits Payable	112	72	184	114	39	153
Deferred Member Contributions	2	-	2	3	-	3
	<u>202</u>	<u>97</u>	<u>299</u>	<u>209</u>	<u>63</u>	<u>272</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$127,570</u>	<u>\$ 41,066</u>	<u>\$168,636</u>	<u>\$118,266</u>	<u>\$ 37,329</u>	<u>\$155,595</u>

ON BEHALF OF THE TRUSTEES:

Earl R. Hanson

Earl R. Hanson, Chairperson

Monte Gorchinski

Monte Gorchinski

(See Accompanying Notes)

**Saskatchewan Pension Plan
Statement of Changes in Net Assets Available for Benefits
For the Year Ended December 31**

(in thousands)

	1998			1997		
	Contribution Fund	Annuity Fund	Total	Contribution Fund	Annuity Fund	Total
INCREASES IN ASSETS						
Contributions	\$ 4,632	\$ -	\$ 4,632	\$ 4,140	\$ -	\$ 4,140
Investment Income						
Interest	4,160	3,378	7,538	3,781	3,117	6,898
Dividends	1,491	-	1,491	1,013	-	1,013
	<u>5,651</u>	<u>3,378</u>	<u>9,029</u>	<u>4,794</u>	<u>3,117</u>	<u>7,911</u>
Change in Market Value of Investments	5,986	-	5,986	14,648	-	14,648
	<u>16,269</u>	<u>3,378</u>	<u>19,647</u>	<u>23,582</u>	<u>3,117</u>	<u>26,699</u>
TRANSFERS ON RETIREMENT	<u>(5,687)</u>	<u>5,687</u>	<u>-</u>	<u>(5,697)</u>	<u>5,697</u>	<u>-</u>
DECREASES IN ASSETS						
Pension Benefits	-	3,960	3,960	-	3,627	3,627
Operating Expenses	978	332	1,310	962	345	1,307
Transfer to Other Pension Plans	-	755	755	-	575	575
Death and Other Benefits	300	281	581	292	257	549
	<u>1,278</u>	<u>5,328</u>	<u>6,606</u>	<u>1,254</u>	<u>4,804</u>	<u>6,058</u>
Change in Net Assets	9,304	3,737	13,041	16,631	4,010	20,641
NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR	<u>118,266</u>	<u>37,329</u>	<u>155,595</u>	<u>101,635</u>	<u>33,319</u>	<u>134,954</u>
NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR	<u>\$127,570</u>	<u>\$ 41,066</u>	<u>\$168,636</u>	<u>\$118,266</u>	<u>\$ 37,329</u>	<u>\$155,595</u>

(See Accompanying Notes)

**Saskatchewan Pension Plan
Statement of Operating Expenses
For the Year Ended December 31**

(in thousands)

	<u>1998</u>	<u>1997</u>
EXPENSES		
Salaries and Wages	\$ 516	\$ 510
Professional and Technical Services	440	400
Advertising and Promotional	159	161
Facility and Equipment Rental	65	62
Telephone, Freight and Postage	40	43
Computer Systems	40	61
Office Supplies	24	23
Board Honorariums and Expenses	12	15
Travel	8	8
Other Contractual	6	8
Office Improvements	-	16
	<u> </u>	<u> </u>
NET OPERATING EXPENSES OF THE PLAN	<u>\$ 1,310</u>	<u>\$ 1,307</u>
 OPERATING EXPENSES ALLOCATED AS FOLLOWS:		
Contribution Fund	\$ 978	\$ 962
Annuity Fund	<u>332</u>	<u>345</u>
	<u>\$ 1,310</u>	<u>\$ 1,307</u>

(See Accompanying Notes)

Saskatchewan Pension Plan Notes to the Financial Statements December 31, 1998

1. Description of Plan

a) General

The Saskatchewan Pension Plan ("SPP" or the "Plan") is a defined contribution plan established by the Government of Saskatchewan to provide an opportunity for individuals with little or no access to private pensions or other retirement savings arrangements to save for their retirement. Details of the Plan are contained in *The Saskatchewan Pension Plan Act* (the Act) and Regulations.

b) Funds Established

The following funds were established to administer the Plan:

i) Contribution Fund

Established to accumulate all contributions and earnings for members who have not yet retired under the Plan. The Fund holds a balanced portfolio including equities, bonds and short term investments to maximize earnings while minimizing risk to members.

ii) Annuity Fund

Established to hold the funds to make pension payments to retired members. The Fund holds investments in high quality long-term bonds. The Fund also holds money market investments for current pension needs and to pay administration costs. Equity investments are not permitted. The investment portfolio is structured to limit the effect on the Fund due to changes in the level of interest rates, to provide sufficient liquidity for payments to retirees when due, and to ensure long-term solvency.

c) Contributions

Participation is voluntary and members can contribute a maximum of \$600 for each plan year. Contributions are vested immediately in the member's name and are locked into the Plan until retirement.

d) Retirement

Members may retire under the Plan as early as age 55 or delay retirement as late as age 69. A member's accumulated account balance at retirement comprises the member's contributions to the Plan together with the investment income and changes to the market value of the Plan's investments allocable to the member as of that date under the terms of the Plan. At retirement, members may select a pension option which is payable for life or transfer their account to a locked-in pension option with a different financial institution. The options available are Locked-in Retirement Account (LIRA), Locked-in Retirement Income Fund (LRIF), and Life Income Fund (LIF). The accumulated account balances of members who opt to remain in the Plan at retirement are transferred to the Annuity Fund.

e) Operating Expenses

Operating expenses are allocated to the Funds based on their weighted average asset base as prescribed by Regulation.

f) Income Tax

The Plan is a prescribed provincial plan under the Income Tax Act and is not subject to tax.

g) Death Benefits

Should a member die prior to retirement, the funds in his or her account will be paid to the named beneficiary. If the beneficiary is the member's spouse, the funds may be transferred to the spouse's SPP account or to their own registered retirement savings plan.

Should a member die after retirement, death benefits are payable according to the type of annuity the member selected at retirement.

h) Survivor Benefits

When a member who selected the Joint and Last Survivor Annuity dies, benefits are paid to the survivor for the balance of his or her life.

i) Withdrawal Provisions

Members whose monthly pensions are less than the prescribed amount can withdraw their total pension in one lump sum instead of receiving monthly benefits. In 1998, the prescribed amount was \$15.38.

**Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 1998
(in thousands)**

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following policies are considered to be significant:

a) Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

b) Investments

i) Contribution Fund

Investments are recorded at market value which is determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices. Money market investments are valued at cost which approximates market.

ii) Annuity Fund

Money market investments are valued at cost which approximates market value. Investments in bonds are valued at the present value of future cash flows, discounted at the effective yield on the date of purchase. Funds are transferred from the Contribution Fund at the date members retire, and these funds are invested in long-term bonds with terms matching the remaining life expectancy of the members. Under the policy of the Plan such bonds are generally required to be held to maturity and therefore are not considered to be marketable. In the event that bonds are disposed of, gains and losses on such dispositions are deferred and taken into income over the remaining term to maturity of the security sold to be consistent with the basis of underwriting annuities, which are issued based on the prevailing interest rates at the time of retirement.

3. Investments

a. Contribution Fund

i) Money Market

	1998			1997		
	Average Term (in days)	Effective Interest Rate (percent)	Market Value	Average Term (in days)	Effective Interest Rate (percent)	Market Value
Treasury Bills	124	4.6	\$4,461	48	3.8	\$2,369
Bankers Acceptances	27	4.9	3,871	22	4.4	1,046
			<u>\$8,332</u>			<u>\$3,415</u>

Money market investments are defined as securities purchased with a maturity of one year or less. Only securities with an R-1 rating and Canadian grain companies with an R-2 high rating, as rated by a recognized credit rating service, are permissible. Other than the Government of Canada, no single issuer represents more than 10.1% (1997: 12.4%) of the money market portfolio.

**Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 1998
(in thousands)**

ii) Bonds

1998							
Years to Maturity	Market Value					Total	Par Value
	Federal	Provincial	Global	Municipal	Corporate		
1 - 5	\$19,507	\$2,561	\$ -	\$ -	\$6,233	\$28,301	\$27,175
6 - 10	6,034	2,982	-	501	3,256	12,773	11,806
11 - 30	8,927	5,519	-	-	1,637	16,083	13,878
	\$34,468	\$11,062	\$ -	\$ 501	\$11,126	\$57,157	\$52,859

1997							
Years to Maturity	Market Value					Total	Par Value
	Federal	Provincial	Global	Municipal	Corporate		
1 - 5	\$24,197	\$1,512	\$ -	\$ -	\$1,174	\$26,883	\$25,440
6 - 10	3,105	2,764	-	268	5,751	11,888	10,562
11 - 30	9,211	2,241	1,847	-	1,034	14,333	11,540
	\$36,513	\$6,517	\$1,847	\$ 268	\$7,959	\$53,104	\$47,542

Bonds must meet a minimum quality standard of BBB or equivalent, as rated by a recognized credit rating service. No more than 10% of the book value of the total bond portfolio may be held in BBB issues. Other than the Government of Canada, no single issuer represents more than 10.3% (1997: 5.5%) of the overall bond portfolio. All of the bonds are fixed rate bonds with effective interest rates ranging between 4.9 and 10.7% (1997: 5.0 and 9.9%). Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

iii) Equities at Market Value

1998						
Type	Common Shares	Instalment Receipts	Trust Units	Private Equity	Pooled Funds	Total
Canadian	\$35,089	\$ -	\$131	\$19	\$ -	\$35,239
United States	12,211	-	-	-	-	12,211
Global	-	-	-	-	13,295	13,295
	\$47,300	\$ -	\$131	\$19	\$13,295	\$60,745

Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 1998
(in thousands)

1997

Type	Common Shares	Instalment Receipts	Trust Units	Private Equity	Pooled Funds	Total
Canadian	\$36,106	\$ 462	\$104	\$21	\$ -	\$36,693
United States	11,762	-	-	-	-	11,762
Global	-	-	-	-	11,694	11,694
	\$47,868	\$ 462	\$104	\$21	\$11,694	\$60,149

No one holding represents more than 10% of the market value of the equity portfolio or more than 10% of the capital stock of the issuer.

b. Annuity Fund

i) Money Market

1998

	Average Term (in days)	Effective Interest Rate (percent)	Cost and Market Value
Treasury Bills	7	4.5	<u>\$1,227</u>

1997

	Average Term (in days)	Effective Interest Rate (percent)	Cost and Market Value
	34	3.8	<u>\$916</u>

Money market investments are defined as securities purchased with a maturity of one year or less. Only securities with an R-1 rating are permissible. At December 31, 1998 and 1997 only Government of Canada instruments are held in the money market portfolio.

ii) Bonds

1998

Years to Maturity	Federal	Provincial	Cost Value Municipal	Corporate	Total	Total Market	Par Value
0 - 1	\$ -	\$ 499	\$250	\$ -	\$ 749	\$ 892	\$ 875
1 - 5	1,109	-	-	259	1,368	1,502	1,550
6 - 10	1,285	2,363	-	544	4,192	4,901	5,512
11 - 30	13,741	16,438	-	2,878	33,057	45,336	36,381
	\$16,135	\$19,300	\$250	\$3,681	\$39,366	\$52,631	\$44,318

1997

Years to Maturity	Federal	Provincial	Cost Value Municipal	Corporate	Total	Total Market	Par Value
0 - 1	\$ 1,033	\$ 432	\$ -	\$ -	\$ 1,465	\$ 1,469	\$ 1,490
1 - 5	863	612	250	-	1,725	1,869	1,865
6 - 10	1,418	1,571	-	802	3,791	4,329	4,832
11 - 30	9,965	16,264	-	2,867	29,096	39,135	33,321
	\$13,279	\$18,879	\$250	\$3,669	\$36,077	\$46,802	\$41,508

Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 1998
(in thousands)

Government bonds must meet a minimum quality standard of BBB or equivalent as rated by a recognized credit rating service. No more than 15% of the par value of the total bond portfolio may be held in BBB issues. Corporate bonds must meet a minimum quality standard of A. Other than the Government of Canada, no single issuer represents more than 12.7% (1997: 14%) of the overall bond portfolio. All of the bonds are fixed rate bonds with yields to maturity ranging between 3.8 and 11.4% (1997: 3.8 and 11.4%). Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

4. Actuarial Valuation of Pension Liability

An actuarial valuation was performed on the Plan as at December 31, 1998 by Aon Consulting Inc. The valuation considered the obligations to retired members. The 1983 Group Annuity Mortality Table was used.

The valuation method used to calculate the basic pension liability to retired members was the single premium actuarial cost method. An interest rate assumption of 9.20% per annum for 15 years from the date of retirement and 6% per annum thereafter was used to compute the liability for retirements prior to December 31, 1991. For retirements since December 31, 1991, the annuity rate in place when members retired, ranging between 4.2% and 8.5%, for the first 15 years from the date of retirement and 6% thereafter was used to determine the liability.

The results of this valuation are summarized below:

	<u>1998</u>	<u>1997</u>
Net Assets Available	\$41,066	\$37,329
Basic Pension Liability	40,755	36,949
Surplus	<u>\$ 311</u>	<u>\$ 380</u>

Pension annuities are issued based on the prevailing interest rates at the dates of retirement of the annuitants. The duration of the investments purchased are matched with the duration of the liabilities. As such, the risk to the Plan relates to:

- (i) any differences, which may be material, between the estimated and actual life expectancy of the annuitant group which may cause the Plan to have insufficient funds to meet the liability or more funds than required; and
- (ii) reinvestment of assets at maturity at rates greater than or less than rates used in determining the annuities.

To manage this risk, the Plan uses investment managers and actuaries to assist in determining the investment strategy. Further, subsection 7(3.1) of the Act requires any amount by which the liability of the Annuity Fund exceeds the assets of the Annuity Fund to be a charge on and payable from the General Revenue Fund of the Province of Saskatchewan. At December 31, 1998 and 1997, the Annuity fund was in a surplus position.

The principal components of the change in the basic pension liability are summarized below:

	<u>1998</u>	<u>1997</u>
Liability, beginning of year	\$36,949	\$33,042
Interest on liabilities	2,712	2,507
Increase in liability due to new annuities	4,692	4,956
Average annual pension	(3,973)	(3,556)
Mortality experience	46	-
Refinement to methods	329	-
Liability, end of year	<u>\$40,755</u>	<u>\$36,949</u>

**Saskatchewan Pension Plan
Notes to the Financial Statements
December 31, 1998
(In thousands)**

5. Earnings Allocation to Members

Investment income and changes in market value of investments are allocated annually to members in the Contribution Fund. The change in market value of investments is allocated over a four year period on a straight line basis.

The maximum gain or loss deferred to future years is 5% of the total market value of investments at December 31 of each year. At December 31, 1998 the gain deferred to future years was \$6,317 [1997 - \$5,836].

6. Related Party Transactions

In 1988, the Plan entered into an investment management agreement with Greystone Capital Management Inc. (GCMI). The Plan is a shareholder of GCMI along with several other Government of Saskatchewan public sector pension plans, other Government of Saskatchewan agencies and an unrelated private sector pension plan. The Plan holds 1.7% of the common shares outstanding of GCMI (1997: 5.6% of the class A shares and 1.5% of the class B shares). For a fee, GCMI manages 63% (1997: 62%) of the Plan's investments, including the Greystone Non North American and Emerging Market Equity Funds whose management has been delegated by GCMI to Vontobel USA, Inc.

Included in dividend income is \$179 (1997: \$54) and included in change in market value of investments is \$1,302 (1997: \$316) attributed to the Greystone Non North American and Emerging Market Equity Funds.

The Plan also conducts a portion of its transactions with Saskatchewan Crown-controlled Agencies, departments and corporations. These transactions are at the prevailing market rates and are settled on normal trade terms. The Plan incurred operating expenses of approximately \$202 (1997: \$237) with these related parties.

The Plan has \$5,208 par value (1997: \$4,319) invested in Province of Saskatchewan bonds with varying maturity dates and interest rates. Interest on these bonds was approximately \$437 (1997: \$431).

7. Lease Commitment

The Plan is committed to an operating lease for office space to September 30, 2001 with minimum annual lease payments of \$54.

8. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue (Y2K) arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of Y2K may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Plan's ability to conduct normal business operations. It is not possible to be certain that all aspects of Y2K affecting the Plan, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the statement of net assets available for benefits of The Saskatchewan Research Council Employees' Pension Plan as at December 31, 1998 and the statement of changes in net assets available for benefits for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 1998 and the and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
February 12, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
As At December 31

	1998	1997
ASSETS		
Investments:		
Balanced Mutual Fund	\$22,113,489	\$22,949,565
Cash	17	148
	\$22,113,506	\$22,949,713
LIABILITIES		
Accounts payable	8,515	17,401
Net assets available for benefits (Statement 2)	\$22,104,991	\$22,932,312

(see accompanying notes to the financial statements)

Statement 2

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year Ended December 31

	1998	1997
Increase in assets:		
Increase in net asset value of investments	\$1,614,661	\$2,663,803
Contributions - employer	461,263	456,834
Total increase in assets	2,075,924	3,120,637
Decrease in assets:		
Refund upon termination and retirement benefits - Defined Contribution Plan	2,074,351	1,077,550
Retirement benefits - Defined Benefit Plan	317,055	317,710
Contribution holiday - employer	461,263	315,783
Administration	50,576	50,884
Total decrease in assets	2,903,245	1,761,927
Increase (decrease) in net assets	(827,321)	1,358,710
Net assets available for benefits, beginning of year	22,932,312	21,573,602
Net assets available for benefits, end of year - to Statement 1	\$22,104,991	\$22,932,312

(see accompanying notes to the financial statements)

THE SASKATCHEWAN RESEARCH COUNCIL EMPLOYEES' PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1998

1. Description of the Plan

The following description of the Plan is a summary only. For more complete information, reference should be made to the Plan Agreement. The Plan is administered by The Saskatchewan Research Council.

(a) General

The Saskatchewan Research Council Employees' Pension Plan was established May 1, 1974 for the purpose of providing retirement income to the Council's employees. Up to and including December 31, 1990, the Plan provided the greater of a defined benefit or a defined contribution entitlement for Members of the Plan. Effective January 1, 1991, the Plan was amended and restated to provide solely a defined contribution benefit to Members. The changes do not affect existing pensioners who will continue to receive benefits as granted.

(b) Funding Policy

The employer contributes 4.875% of the Member's Earnings up to the Year's Maximum Pensionable Earnings (YMPE) and 7.5% of the Member's Earnings above the YMPE, as defined under the Canada Pension Plan, on a monthly basis.

(c) Retirement

Upon retirement, a transfer is available based on the Member's accumulated balance to another pension plan, a Locked-In Retirement Account Contract, a Life Income Fund Contract, a Locked-In Retirement Income Fund Contract or to purchase a deferred life annuity contract.

(d) Termination Refunds

Upon application and subject to lock-in provisions, termination refunds are payable when a member ceases to be employed by the Council.

(e) Defined Benefit Pensioners

Pensioners receive benefit increases effective April 1st of each year based on CPI increases to the extent investment earnings exceed 6% in the previous calendar year. The last increase was effective April 1, 1998.

2. Summary of Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following principles are considered to be significant:

Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

Investments

The investment is comprised of units in a balanced mutual fund managed by a professional investment manager. The balanced mutual fund has no fixed interest rate, and its returns are based on the performance of the fund.

Additional units are acquired when distributions are made by the funds. Cash dividends are not paid by the funds; however, investors can realize changes in the underlying unit values by redeeming units.

Units in the mutual funds are recorded in the accounts at their net asset value per unit. Net asset value per unit is the market value of the investments in the particular fund's portfolio divided by the total number of outstanding units in that fund. The adjustment necessary to record units at their net asset value at the year end is shown as an increase or decrease in net assets available for benefits.

3. Net Assets Available for Benefits and Pension Obligations

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. The strategy employed to achieve these objectives is to invest cash flows from contributions into assets such as pooled funds.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

Credit risk arises from the potential for an issuer to default on its contractual obligations to the Plan. The Plan limits credit risk by dealing with issuers that are considered to be high quality.

The pension obligation is long term in nature. The Plan has no intention of settling its pension obligation in the near term and the fair market value approximates its recorded value.

3. Net Assets Available for Benefits and Pension Obligations (continued)

	1998	1997
Net assets available for benefits (Statement 1)	\$22,104,991	\$22,932,312
Less: Defined contribution balances	17,716,423	18,094,038
Defined benefit obligation	2,814,000	2,883,000
Surplus	\$1,574,568	\$1,955,274

The present value of the defined benefit obligation was determined using the projected benefit method prorated on service and the administrator's best estimate assumptions. An actuarial valuation was made as of January 1, 1999 by KPMG Actuarial, Benefits & Compensation Inc., a firm of consulting actuaries. The 1983 Group Annuity Table was used in the valuation. The actuarial present value of accrued benefits as at January 1, 1999 and the principle components of changes in the actuarial present values during the year for pensioners who retired before 1991 are as follows:

	1998	1997
Beginning of year	\$2,883,000	\$2,985,000
Interest on accrued benefits	173,000	170,000
Benefits paid	(317,000)	(318,000)
Adjustment for mortality loss	55,000	32,000
Adjustments (Note 1 (e))	20,000	14,000
End of year	\$2,814,000	\$2,883,000

Investment earnings in excess of 6% will be applied to provide increases to all defined benefit pensioners in receipt of benefits, which are paid from the pension fund. Therefore, the significant long-term assumption used in determining the actuarial value of accrued pension benefits was:

Interest rate 6%

Upon termination of the Plan, any balance of the Pension Fund remaining, after discharging all liabilities, shall belong to the Council. The balance may be distributed in a manner to be determined by the Council at its sole discretion after receiving prior approval in accordance with *The Pension Benefits Act, 1992*, the *Income Tax Act (Canada)* and the regulations thereunder.

4. Employer Contribution Holiday

Revenue Canada in its monitoring of the Income Tax Act allows a maximum surplus of two times employer's annual contribution. SRC, on the advice of its actuary, and in consultation with the Saskatchewan Superintendent of Pensions is taking an employer contribution holiday. This has the effect of transferring money in a surplus account for the defined benefit plan over to the defined contribution portion of the plan.

5. Related Party Transactions

The Saskatchewan Research Council without charge provides general administrative services.

6. Administration

The administration costs shown on Statement 2 are paid out of the surplus as provided for in the Plan text:

	1998	1997
Canada Trust	\$38,817	\$39,583
Other Payees	11,759	11,301
Total Administrative Expenses	\$50,576	\$50,884

7. Year 2000 (Y2K)

The Y2K Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. The effects of the Y2K Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Y2K Issue affecting the entity, including those related to the efforts of sponsors, suppliers, or other third parties, will be fully resolved.

SRC has addressed the above issues by establishing a Y2K committee within the Corporation to assess potential Y2K risks. SRC has examined its computer systems, products and devices including our network, information processing functions, laboratory systems and equipment. SRC is in the final process of contacting key customers, partners and suppliers to assess their Y2K readiness. However, it is not possible to be certain that all aspects of the Y2K issue affecting the entity including those related to the efforts of customers, partners, suppliers or third parties, will be fully resolved.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits of the Teachers' Superannuation Plan as at June 30, 1998 and the statement of changes in net assets available for benefits for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at June 30, 1998 and the changes in the net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
January 11, 1999, except
as to Note 8 and Note 12
which are as of
February 16, 1999

Wayne Strelloff

Wayne Strelloff, CA
Provincial Auditor

Statement 1

TEACHERS' SUPERANNUATION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
As at June 30

	1998			1997		
	Superannuation Fund (\$000)	Voluntary Contributions Fund (\$000)	Total (\$000)	Superannuation Fund (\$000)	Voluntary Contributions Fund (\$000)	Total (\$000)
ASSETS						
Due from General Revenue Fund (Note 10)	\$ 197	\$ 71	\$ 268	\$ 135	\$ 24	\$ 159
Accrued investment income	11,424	2	11,426	11,597	---	11,597
Investments (Notes 2(b) and 3):						
Bonds and debentures	832,998	---	832,998	692,492	---	692,492
Short-term	44,634	287	44,921	25,369	161	25,530
Equities	748,875	---	748,875	661,925	---	661,925
Pooled Funds	92,681	2,320	95,001	94,941	2,070	97,011
Mortgages	6,867	---	6,867	8,036	---	8,036
Real estate	48,139	---	48,139	46,598	---	46,598
	<u>1,785,815</u>	<u>2,680</u>	<u>1,788,495</u>	<u>1,541,093</u>	<u>2,255</u>	<u>1,543,348</u>
Contributions receivable:						
- Teachers'	<u>1,848</u>	---	<u>1,848</u>	<u>2,017</u>	---	<u>2,017</u>
Total assets	<u>1,787,663</u>	<u>2,680</u>	<u>1,790,343</u>	<u>1,543,110</u>	<u>2,255</u>	<u>1,545,365</u>
LIABILITIES						
Accounts payable	<u>4,719</u>	---	<u>4,719</u>	<u>5,175</u>	---	<u>5,175</u>
Total liabilities	<u>4,719</u>	---	<u>4,719</u>	<u>5,175</u>	---	<u>5,175</u>
Net assets available for benefits	<u>\$ 1,782,944</u>	<u>\$ 2,680</u>	<u>\$ 1,785,624</u>	<u>\$ 1,537,935</u>	<u>\$ 2,255</u>	<u>\$ 1,540,190</u>

(See accompanying notes to the financial statements)

TEACHERS' SUPERANNUATION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the Year Ended June 30

	1998			1997		
	Superannuation Fund (\$000)	Voluntary Contributions Fund (\$000)	Total (\$000)	Superannuation Fund (\$000)	Voluntary Contributions Fund (\$000)	Total (\$000)
Increase in assets:						
Investment income:						
Interest	\$ 56,263	229	\$ 56,492	\$ 52,105	201	\$ 52,306
Dividends	14,747	---	14,747	29,149	---	29,149
	71,010	229	71,239	81,254	201	81,455
Current period change in market values of investments	229,986	163	230,149	219,179	239	219,418
Contributions:						
- General Revenue Fund (Note 7)	95,216	---	95,216	98,058	---	98,058
- Teachers'	20,992	235	21,227	21,704	40	21,744
Other transfers and contributions	3,716	---	3,716	3,650	---	3,650
	119,924	235	120,159	123,412	40	123,452
Total increase in assets	420,920	627	421,547	423,845	480	424,325
Decrease in assets:						
Marriage breakdown payments	1,883	---	1,883	590	---	590
Allowance to superannuates	166,943	---	166,943	156,902	---	156,902
Refunds and transfers	5,243	198	5,441	2,879	138	3,017
Investment expenses (Note 6)	1,842	4	1,846	1,528	7	1,535
Total decrease in assets	175,911	202	176,113	161,899	145	162,044
Increase in net assets	245,009	425	245,434	261,946	335	262,281
Net assets available for benefits, beginning of year	1,537,935	2,255	1,540,190	1,275,989	1,920	1,277,909
Net assets available for benefits, end of year	1,782,944	2,680	1,785,624	1,537,935	2,255	1,540,190

(See accompanying notes to the financial statements)

**TEACHERS' SUPERANNUATION PLAN
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 1998**

1. Status of the Commission

The Teachers' Superannuation Commission administers a pension plan, the Teachers' Superannuation Plan consisting of the Teachers' Superannuation Fund and the Voluntary Contributions Fund. The Teachers' Superannuation Fund is used to account for the net assets accumulated for a defined benefit, final average pension plan for teachers who commenced service prior to July 1, 1980.

Description of Plan

The following description is a summary only. For more complete information, reference should be made to *The Teachers Superannuation and Disability Benefits Act*.

Teachers' Superannuation Fund

a) Funding Policy

Members are required to contribute 6.05% of their salary subject to Canada Pension Plan contributions, and 7.85% on the remainder of their salary. The General Revenue Fund through the Department of Education appropriation shall pay to the Teachers' Superannuation Fund (Fund) an amount equal to the amount contributed by members.

b) Age and Service Allowance

The annual amount of pension is determined as follows:

- 2% of the five highest years salary times years of service (maximum 35 years)
- reduced at age 65 for Canada Pension Plan integration
- increased each January 1 by 80% of the increase in the Consumer Price Index.

c) Interest Credited to Contributions

As of July 1, 1994, the interest credited to contributions is an annual rate determined by the commission to be the annual rate of return earned from the investments of the Fund in a fiscal year, compounded annually. See Note 4 for determination of investment earnings.

d) Death Benefits

If a superannuate dies, the spouse receives 60% of the allowance plus a further 10% for each dependent child to a maximum of 25%. If there is no spouse or dependent children, the nominee or estate receives a lump sum payment of the difference, if any, between the teachers' contributions and interest at retirement and the total pension paid to date.

e) Refunds

Refunds to teachers typically consist of the teacher's contributions and interest on those contributions.

Voluntary Contributions Fund

The Teachers' Superannuation Commission administers the Voluntary Contributions Fund (Fund). The Fund is continued under *The Teachers Superannuation and Disability Benefits Act*. The Fund allows teachers to make contributions into the Fund, according to the limits set out in *The Income Tax Act*.

There is to be credited to the Fund all voluntary contributions, any interest earned and any other revenue accrued from the investment of monies in the Fund. This amount is reduced by amounts paid out of the Fund at the time the teacher makes an application for a refund. If eligible, the accumulated contributions and interest earned are paid to the teacher, the teacher's nominee or to the teacher's estate.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant:

a) Basis of Accounting

These financial statements are prepared on the accrual basis of accounting.

b) Investments

Investments in bonds and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.

Pooled funds are valued based on the quoted market price of the underlying investment; normally the current bid price.

Short-term investments are valued at cost which approximates market value.

Mortgages are recorded at fair value. Fair value is determined by discounting the present value of all income streams accruing to the mortgage. The discount rate applied to these income streams reflects the current market rate for comparable mortgages of a comparable term.

Real estate is recorded at fair value as estimated by independent appraisals.

The fair value of the investments approximates the market value.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures and investment returns into assets such as Canadian and foreign equities, pooled funds, money market securities, bonds and real estate.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

b) Credit Risk

Credit risk arises from the potential for an investee to fail or for an issuer to default on its contractual obligations to the Plan. The Plan limits the credit risk by dealing with issuers that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service and/or the Canadian Bond Rating Service.

Teachers' Superannuation Fund

The Plan's investment policy allows no one holding to represent more than 10% of the fair value of the portfolio.

Short-term Investments

These investments are comprised of T- Bills, notes and commercial paper with effective interest rates of 4.60% to 4.98% (1997- 2.80% to 4.60%) and an average term to maturity of 27 days (1997 - 53 days). Interest is receivable at maturity.

Bonds and Debentures

The Plan's investment policy limits its investment concentration in any one investee or related group to no more than 10% of book value of the outstanding bonds of any one corporation. Bonds must meet a minimum quality standard of BBB rating as measured by a recognized credit rating service or be specifically approved by the Commission.

The Plan invests in bonds that are considered to be high quality as described below.

		1998			1997		
	Years to Maturity	Market Value (000's)	Weighted Average Yield (%)	Weighted Average Coupon Rate (%)	Market Value (000's)	Weighted Average Yield (%)	Weighted Average Coupon Rate (%)
Federal Bonds							
Government of Canada	1-5	\$ 159,581	5.13	8.00	\$ 152,916	5.62	9.46
	6-10	109,158	5.35	6.21	101,261	6.25	8.40
	11-15	—	0.00	0.00	—	—	—
	16-20	4,437	5.59	0.00	3,083	7.25	—
	20+	124,670	5.51	8.00	108,994	6.77	8.09
Provincial and Provincially Guaranteed Bonds							
Other Provinces	1-5	93,504	4.71	6.76	36,769	5.22	7.66
	6-10	39,307	5.56	6.40	93,167	6.20	7.47
	11-15	—	0.00	0.00	—	—	—
	16-20	12,562	5.71	6.00	—	—	—
	20+	53,682	5.42	6.55	15,191	7.11	6.25
Saskatchewan	1-5	1,060	5.50	12.00	2,989	5.00	9.88
	6-10	6,928	5.51	5.50	—	—	—
	16-20	13,822	5.68	10.25	12,461	6.92	10.25
	20+	—	0.00	0.00	—	—	—
Municipal	1-5	39	5.56	8.13	1,647	5.40	13.48
	6-10	—	0.00	0.00	42	7.67	8.13
Corporate Bonds	1-5	93,607	5.61	5.98	75,996	5.58	7.05
	6-10	103,437	5.99	6.73	52,536	6.66	7.72
	11-15	7,879	5.86	10.80	17,630	6.94	9.26
	16-20	—	0.00	0.00	14,466	7.44	11.04
	20+	9,325	5.83	6.78	3,344	7.35	8.10
Total		\$ 832,998			\$ 692,492		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

		1998	1997
		(market values)	(market values)
		(000's)	(000's)
Common shares	- Canadian	\$ 555,811	\$ 491,517
	- Foreign	191,941	169,545
Private Equity		<u>1,123</u>	<u>863</u>
		\$ 748,875	\$ 661,925

No one holding is to represent more than 10% of the outstanding shares of the issuing corporation. Foreign equities and pooled funds are denominated in Canadian dollars and are limited to 20% of the fair value of the portfolio.

Pooled Funds

These are holdings in the Greystone Emerging Market Fund, and the Greystone Non North American Fund (see Note 6).

Mortgages

Investments in mortgages consist of Canadian properties. The net yield at the time of commitment is expected to exceed the yield on 'A' rated bonds of similar terms by a minimum of 1.5% after administration fees. Principal and interest are received on a monthly basis.

Real Estate

Investments in real estate consist of Canadian property and are subject to approval by the Commission before each acquisition. Included in real estate are investments in related real estate corporations (see Note 6).

Voluntary Contributions Fund

Pooled Funds

These are holdings in the Greystone Canadian Fixed Income, Greystone Canadian Equity Fund, and the Greystone Capital Managed Global Fund (see Note 6).

4. Teachers' Superannuation Fund - Determination of Investment Earnings for Administrative Purposes

A determination of investment earnings of the Plan is necessary in order to determine what interest is to be credited to teachers, and to be paid when past service is being purchased. The Commission has determined that only 25% of the current period change in market values of investments (includes both realized and unrealized gains and losses) will be recognized as part of investment earnings. The remaining 75% will be recognized equally over the following three years as part of investment earnings.

5. Voluntary Contributions Fund - Earnings Allocation to Members

Effective July 1, 1997, the Commission adopted a change in policy that allows for the full allocation of realized and unrealized gains/losses at year-end. The \$227,532 (representing an 11.25% return) of previously unallocated earnings, as well as the earnings (see Note 9) for 1997-98 were allocated to teacher accounts at June 30, 1998.

6. Related Party Transactions

a) Administration

In accordance with *The Teachers Superannuation and Disability Benefits Act* (Act), all expenses of the administration of the Act are paid out of monies appropriated from the General Revenue Fund to the Department of Education by the Legislature. Accordingly, no provision for these costs is included in these financial statements.

Expenses related to managing, investing or disposing of assets of the Teachers' Superannuation Fund and the Voluntary Contributions Fund are to be paid out of both Funds. The annual expenditures for custodial fees and investment management fees are paid to Royal Trust and Greystone Capital Management Inc. respectively.

	1998			1997		
	Superannuation Fund	Voluntary Contributions Fund	Total	Superannuation Fund	Voluntary Contributions Fund	Total
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Custodial fees	\$ 151	\$ 3	\$ 154	\$ 111	\$ 6	\$ 117
Investment fees	1,691	1	1,692	1,417	1	1,418
	<u>\$ 1,842</u>	<u>\$ 4</u>	<u>\$ 1,846</u>	<u>\$ 1,528</u>	<u>\$ 7</u>	<u>\$ 1,535</u>

b) Investment Management Services

Greystone Capital Management Inc. (GCMI) provides investment management services to the Teachers' Superannuation Fund (Fund) and the Teacher's Voluntary Fund on a fee-for-service basis. The Fund is a shareholder in GCMI along with several other Government of Saskatchewan public sector pension plans and other Government of Saskatchewan agencies.

The Fund holds 226,173 (1997 - 219,008) Class B shares, 24.3% (1997 - 23.5%) of the total shares outstanding, and 1,200 (1997 - 1,200) Class A shares, 12.8 % (1997 - 11.0%) of the total shares outstanding in GCMI.

c) Investment Holdings

Teachers' Superannuation Fund

Included in the totals for bonds and debentures and income are Province of Saskatchewan holdings of \$21,809,892 (1997 - \$16,584,590) and income totalling \$3,027,555 (1997 - \$3,590,323).

Included in the totals for real estate and income are SaskPen Properties Ltd., SP Two Properties Ltd. and SaskMet Properties Ltd. holdings totalling \$5,027,315 (1997 - \$4,632,801) and income totalling \$663,578 (1997 - losses totalling \$66,201). These are real estate corporations owned by Government of Saskatchewan managed public sector pension plans.

The unit holders of the following funds are several Government of Saskatchewan public sector pension plans and other Government of Saskatchewan agencies.

	Units Held		% of total units Outstanding		Market Value		Investment Income and change in market value	
	1998	1997	1998	1997	1998	1997	1998	1997
					(000's)	(000's)	(000's)	(000's)
Greystone Emerging Market Fund	1,799	1,528	17.74%	20.16%	\$ 15,626	\$ 17,200	\$ (4,414)	\$ 2,079
Greystone Non North American Fund	5,518	6,797	13.29	17.96	77,055	77,741	14,056	9,387

Voluntary Contributions Fund

	Units Held		% of total units Outstanding		Market Value		Investment Income and change in market value	
	1998	1997	1998	1997	1998	1997	1998	1997
					(000's)	(000's)	(000's)	(000's)
Greystone Canadian Fixed Income Fund	131	106	4.84%	4.54%	\$ 1,302	\$ 1,069	\$ 128	\$ 159
Greystone Canadian Equity Fund	46	50	4.75	8.25	694	639	160	196
Greystone Capital Managed Global Fund	20	26	0.63	0.77	324	362	93	78

Other transactions with related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

7. Payments from the General Revenue Fund

During the year, the Teachers' Superannuation Fund received the following matching contributions and other contributions from the General Revenue Fund through the Department of Education appropriation:

	1998	1997
	(000's)	(000's)
Matching contributions	\$ 20,794	\$ 21,498
Other	74,422	76,560
	<u>\$ 95,216</u>	<u>\$ 98,058</u>

These amounts do not include disability benefit payments.

8. Actuarial Valuation - Pension Benefits

The present value of accrued pension benefits was determined using the projected benefit method pro rated on services and the best estimate assumptions of the Teachers' Superannuation Commission. In the current year, an actuarial valuation of the Teachers' Superannuation Plan was prepared by William M. Mercer Limited as at June 30, 1997 and an extrapolation was made to June 30, 1998. In the prior year an extrapolation was made to June 30, 1997 from an actuarial valuation as at June 30, 1995.

The actuarial present value of benefits as at June 30 and the principle components of change in actuarial present values during the year were as follows:

	1998 (000's)	1997 (000's)
Actuarial present value of accrued pension benefits, beginning of year	\$ 3,386,000	\$ 3,210,000
Interest accrued on benefits	256,000	271,000
Benefits accrued	54,000	65,000
Benefits paid	(180,000)	(160,000)
Experience losses	49,000	---
Change in valuation assumptions	(19,000)	---
Actuarial present value of accrued pension benefits, end of year	3,546,000	3,386,000
Actuarial value of net assets available for benefits	(1,693,000)	(1,457,000)
Unfunded liability	<u>\$ 1,853,000</u>	<u>\$ 1,929,000</u>

The pension liability is based on a number of assumptions about future events including interest, rate of salary increase, inflation, mortality, retirement rates and termination rates. The actual rates may vary significantly from the long-term assumptions used.

The assumptions used in determining the actuarial value of accrued pension benefits were:

- inflation at 2.0% for the years 1998-1999, and 3.5% thereafter
- salary increases at 0.5% for 1998, 2.0% for 1999, 2.5% for 2000, 3.5% for 2001, and 4.5% thereafter
- interest rate at 7.5% per year.

The unfunded liability will be funded on an ad hoc basis from the General Revenue Fund.

The following illustrates the effect of changing certain assumptions from the assumed rates of salary 4.5%, interest 7.5% and inflation 3.5%.

Effect on Liability	Long-term Assumptions					
	Salary		Interest Rates		Inflation	
	3.5%	5.5%	6.5%	8.5%	2.5%	4.5%
(Decrease) increase (in 000's)	\$(41,043)	\$57,611	\$428,988	\$(348,768)	\$92,615	\$(29,584)

The pension liability is long-term in nature. The Plan has no intention of settling its pension obligations in the near term and there is no market for settling the pension obligations. Therefore, determination of the fair value for the pension liability is not practical.

The net assets available for benefits were:

	<u>1998</u> (000's)	<u>1997</u> (000's)
Actuarial value of net assets available for benefits	\$ 1,693,000	\$ 1,457,000
Changes in market not recognized in the actuarial value	<u>90,000</u>	<u>81,000</u>
Net assets available for benefits (statement 1)	<u>\$ 1,783,000</u>	<u>\$ 1,538,000</u>

9. Investment Performance

The following is a summary of the Plan's investment performance:

	<u>1998</u>	<u>Rolling Four Year Average Annual Return</u>
Teachers' Superannuation Fund (a)	19.9%	17.6%
Target Rate of Return (b)	17.6%	18.2%
Teachers' Voluntary Fund (a)	17.6%	17.1%
Target Rate of Return (b)	14.6%	16.0%

(a) The annual returns are before deducting investment expenses.

(b) The Commission's target rate of return for its investment portfolio (return on the benchmark portfolio plus 10%) has been determined, after the fact, using the actual returns of the market indexes outlined above.

10. Due from General Revenue Fund

The Teachers' Superannuation Fund and the Teachers' Voluntary Contributions Fund bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. Under this arrangement, interest is calculated on the net position of all COBC accounts and is paid by the bank into the General Revenue Fund.

The Funds' share of this interest is allocated and paid by the General Revenue Fund on a quarterly basis into the Funds' bank accounts using the Government's thirty-day borrowing rate.

11. Disability Benefits

The annual amount of pension is determined by applying the regular allowance formula and is payable to a teacher who:

a) is disabled because of total physical or mental incapacity for teaching; and

- b) has 10 years of service; and
- c) has at least three years of service in the five years preceding disablement; and
- d) has not attained age 65.

Payments may be discontinued or reduced on recovery or re-employment. The allowance is recalculated at age 65 to include service while on the Saskatchewan Teachers' Federation Income Continuance Plan.

Subsection 38(2) of *The Teachers Superannuation and Disability Benefits Act* states the disability benefits are a charge on and payable out of the General Revenue Fund. The \$7,309,875 (1997- \$6,599,307) in disability benefits flowed through the Teachers' Superannuation Fund for administrative purposes only and is not reflected in these financial statements. The General Revenue Fund, through the Department of Education appropriation, provided contributions equal to the disability benefits.

12. Actuarial Valuation - Disability Benefits

The present value of accrued disability benefits was determined using the projected benefit method pro rated on services and the best estimate assumptions approved by the Teachers' Superannuation Commission. In the current year, an actuarial valuation of the Teachers' Disability Benefits was prepared by William M. Mercer Limited as at June 30, 1997 and an extrapolation was made to June 30, 1998. In the prior year, an extrapolation was made to June 30, 1997 from the actuarial valuation as at June 30, 1995.

The actuarial present value of benefits as at June 30 and the principle components of change in actuarial present values during the year were as follows:

	1998 (000's)	1997 (000's)
Actuarial present value of accrued disability benefits at beginning of year	\$ 60,000	\$ 60,000
Interest accrued on benefits	5,000	5,000
Experience losses	9,000	---
Benefits accrued	2,000	2,000
Benefits paid	<u>(7,000)</u>	<u>(7,000)</u>
Actuarial present value of accrued disability benefits, end of year	69,000	60,000
Net assets available for benefits	<u>---</u>	<u>---</u>
Unfunded liability	<u>\$ 69,000</u>	<u>\$ 60,000</u>

The disability liability is based on a number of assumptions about future events, including interest, rate of salary increase, inflation, mortality, retirement rates and termination rates. The actual rates may vary significantly from the long-term assumptions used.

The assumptions used in determining the actuarial value of accrued disability benefits were the same as for determining the accrued pension benefits (see Note 8).

The following illustrates the effect of changing certain assumptions from the assumed rates of salary 4.5%, interest 7.5% and inflation 3.5%.

Effect on Liability	Long-term Assumptions					
	Salary		Interest Rates		Inflation	
	3.5%	5.5%	6.5%	8.5%	2.5%	4.5%
(Decrease) increase (in 000's)	\$ (668)	\$ 825	\$ 5,144	\$ (4,603)	\$ 1,380	\$ (295)

The disability liability is long-term in nature. The Plan has no intention of settling its pension obligation in the near term and there is no market for settling its disability obligations. Therefore, determination of the fair value for the disability liability is not practical.

13. Cash Flow Forecast

The total cash inflow is the amount of contributions and investment income expected to be received by the pension plan. The Minister of Finance (MOF) contributions include matching contributions and additional amounts contributed pursuant to subsection 9(4) of *The Teachers Superannuation and Disability Benefits Act*. The total cash outflow is the amount required to pay all pension obligations. The forecast of cash inflows and outflows have been determined using the long-term assumptions outlined in Note 8. All amounts shown are based on actual dollar forecasts.

The cash required is the amount by which the cash outflows exceed cash inflows and is forecast to the year 2028:

Year	Cash Inflows			Cash Outflows (000's)	Cash Required/ (Surplus) (000's)
	Investments (000's)	Teachers Contributions (000's)	MOF Contributions (000's)		
1998-1999	\$ 111,377	\$ 18,156	\$ 102,991	\$ 204,078	\$ (28,446)
1999-2000	112,260	16,756	94,589	213,753	(9,852)
2000-2001	112,911	15,535	102,160	223,720	(6,886)
2001-2002	110,889	14,215	79,477	236,206	31,625
2002-2003	107,347	12,990	75,198	248,743	53,208
Total within 5 years	\$ 554,784	\$ 77,652	\$ 454,415	\$ 1,126,500	\$ 39,649
Total 5 - 10 years	\$ 445,125	\$ 45,397	\$ 426,316	\$ 1,429,141	\$ 512,303
Total 11 - 30 years	\$ 346,732	\$ 16,817	\$ 5,548,262	\$ 6,963,252	\$ 1,051,441

14. Receivables/Payables

Accrued investment income, contributions receivable and accounts payable are non-interest bearing and are due or payable within the next year. Due to this short-term nature, the carrying value of these financial instruments approximates fair value.

15. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than that date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of sponsors, suppliers, or other third parties, will be fully resolved.

16. Comparative Figures

Certain comparative figures have been restated to conform to the current year's financial statement presentation.

AUDITORS' REPORT

To the Members of the Legislative Assembly of Saskatchewan
Province of Saskatchewan

We have audited the statement of net assets available for benefits of the Workers' Compensation Board Superannuation Plan as at December 31, 1998 and statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Superannuation Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Superannuation Plan as at December 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

Regina, Canada
March 4, 1999

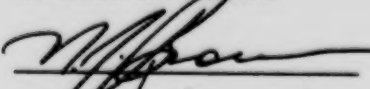
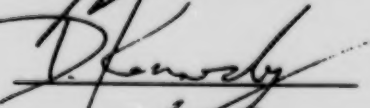
WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

DECEMBER 31, 1998 with comparative figures for 1997

	1998	1997
ASSETS		
Investments:		
Short-term investments	\$ 1,724,636	\$ 1,302,520
Bonds and debentures	12,969,864	11,682,710
Equities	8,091,418	8,793,978
Pooled Funds	<u>4,531,559</u>	<u>4,072,962</u>
	27,317,477	25,852,170
Receivables:		
Employees' contributions	9,414	13,832
Accrued investment income	160,413	179,601
Other	<u>206</u>	<u>144</u>
	170,033	193,577
Due from Government of Saskatchewan (Note 4)	17,557	4,515
Cash	<u>8,550</u>	<u>15,116</u>
Total assets	<u>\$27,513,617</u>	<u>\$26,065,378</u>
LIABILITIES		
Administration expenses payable	\$ 17,290	\$ 12,387
Other payables	<u>77</u>	<u>-</u>
Total liabilities	<u>17,367</u>	<u>12,387</u>
Net assets available for benefits	<u>\$27,496,250</u>	<u>\$26,052,991</u>

See accompanying notes to the financial statements.

On behalf of the Board:


 Chairman

 Board Member

 Board Member

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN **STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

FOR THE YEAR ENDED DECEMBER 31, 1998 with comparative figures for 1997

	1998	1997
INCREASE IN ASSETS		
Investment income:		
Interest	\$ 861,457	\$ 794,377
Dividends - Equities	132,982	150,769
Dividends - Pooled Funds	663,116	385,112
Mortgage interest	(663)	3,556
Other	<u>1,910</u>	<u>1,626</u>
	1,658,802	1,335,440
Current year change in market values of investments	867,264	2,767,969
Contributions:		
Employee	<u>143,619</u>	<u>155,198</u>
Total increase in assets	<u>2,669,685</u>	<u>4,258,607</u>
DECREASE IN ASSETS		
Administration expenses (Note 9)	112,230	121,341
Refunds and transfers:		
Contributions	117,187	40,227
Interest	126,726	48,848
Superannuation allowances	<u>870,283</u>	<u>835,034</u>
Total decrease in assets	<u>1,226,426</u>	<u>1,045,450</u>
Increase in net assets available for benefits	1,443,259	3,213,157
Net assets available for benefits, beginning of year	<u>26,052,991</u>	<u>22,839,834</u>
Net assets available for benefits, end of year	<u>\$27,496,250</u>	<u>\$26,052,991</u>

See accompanying notes to the financial statements.

WORKERS' COMPENSATION BOARD SUPERANNUATION PLAN NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

1. Description of the Plan

a) General

The Workers' Compensation Board Superannuation Plan (the Plan) was established under *The Workers' Compensation Board Superannuation Act*. Membership is comprised of employees and board members who were enrolled on October 1, 1977 and who did not elect to transfer to the Public Employees (Government Contributory) Superannuation Plan prior to October 1, 1978.

b) Administration

The Workers' Compensation Superannuation Board administers the Plan. Day-to-day administration is provided by the Government of Saskatchewan Public Employees Benefits Agency.

c) Superannuation Plan

The Plan was established to accumulate contributions paid by employees and the employer, as well as any investment income.

Pensions and refunds of contributions together with interest are paid out of the Plan.

d) Funding Policy

Members contribute at the rate of 7%, 8%, or 9% of salary depending on their age at the date of the commencement with the Plan.

The contributions required to be paid by the employer are calculated by applying a predetermined rate to the members contributions.

The determination of the value of the pension benefits is made on the basis of a triennial actuarial valuation.

e) Retirement

Normal retirement is at age 65. Members who retire may receive benefit payments earlier under the following conditions:

- . at any age after 35 years of service,
- . at age 60 with at least 20 years of service,
- . at age 60 with between 15 years and 20 years of service with a reduced pension,
- . at age 55 with at least 30 years of service with a reduced pension.

f) Pension

The annual pension payable to a member is 2% of the average salary received by the member during the five years of highest salary, multiplied by the total number of years of service. The maximum number of years of service is 35 years.

At age 65, the member's pension is reduced, due to integration with the Canada Pension Plan, by an amount equal to 0.7% of the member's average salary up to the average pensionable earnings prescribed by the Canada Pension Plan in the last 3 years before retirement, multiplied by the number of years of service of the member since January 1, 1966.

2. Significant Accounting Policies

Investments

- i) Investments in bonds and equities are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.
- ii) Pooled funds are valued based on the net asset value per unit of the underlying assets on the last valuation date.
- iii) Short term investments are recorded at market value.

Current Year Change in Market Value of Investments

- i) The change in market value reflects the current year's realized and unrealized gains and losses on investments.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from contributions, maturing debentures, and investment returns into assets such as Canadian equities, pooled funds, money market securities, and bonds.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. Pension liabilities are exposed to the long-term expectation of the rate of return in the investments as well as expectations of inflation and salary escalation.

b) Credit Risk

Credit risk arises from the potential for an investee to fail or for a counter party to default on its contractual obligations to the Plan. The Plan limits the credit risk by dealing with counter parties that are considered to be high quality. The credit ratings used to describe the securities below are based on the Dominion Bond Rating Service and or the Canadian Bond Rating Service.

Short Term Investments

Short term investments are comprised of T-Bills, notes and commercial paper with effective rates of 4.5% to 5.1% (1997 - 3.7% to 4.4%) and an average remaining term to maturity of 89 (1997 - 40) days. The Plan's investment policy states that investments must meet a minimum investment standard of "R-1" and Canadian grain companies with an "R2-high", as rated by a recognized credit rating service.

Bonds

The Plan's investment policy states that bonds must meet a minimum quality standard of BBB as rated by a recognized credit rating service. No more than 5% of the bond portfolio may be invested in BBB rated bonds. As at December 31, 1998, the Plan held 2.2% (1997 - 3%) of its portfolio in BBB bonds.

1998						
Years to Maturity	Federal	Provincial	Corporate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	\$3,131,926	\$ 707,430	\$ 1,030,073	\$ 4,869,429	4.9-7.4%	4.9-8.0%
5 - 10	3,262,119	1,419,015	881,750	5,562,884	5.4-7.3%	5.5-7.5%
Over 10	1,624,808	580,792	331,951	2,537,551	5.3-6.6%	5.5-7.9%
Market Value	\$8,018,853	\$ 2,707,237	\$ 2,243,774	\$ 12,969,864		

1997						
Years to Maturity	Federal	Provincial	Corporate	Total Market Value	Yield to Maturity at Market	Coupon Rate
Under 5	\$3,650,978	\$ 661,092	\$ 444,614	\$ 4,756,684	5.0-6.0%	4.9-8.5%
5 - 10	319,000	902,560	1,673,197	2,894,757	5.8-7.8%	5.8-8.4%
Over 10	2,176,430	912,169	942,670	4,031,269	5.8-7.7%	6.0-10.8%
Market Value	\$6,146,408	\$ 2,475,821	\$ 3,060,481	\$ 11,682,710		

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Equities

Equities have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis.

The Plan's investment policy allows no one holding to represent more than 10% of the market value of the related portfolio and no one holding to represent more than 10% of the common stock in any corporation.

Pooled Funds

The Plan limits its investments in pooled equity funds to 10% of the fair value of its investment portfolio. Foreign equities including foreign pooled funds are limited to 20% of the book value of the investment portfolio and are denominated in Canadian dollars. The Plan owns units in a pooled equity fund which has no fixed interest rate and its return is based on the success of the fund manager. The Plan's pooled funds are comprised of the Greystone Managed Investments Ltd. Global Fund.

4. Due from Government of Saskatchewan

The Plan's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Plan's earned interest is calculated and paid by the Government of Saskatchewan General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate and the Plan's average daily bank account balance.

5. Employer Contributions

The Workers' Compensation Board declared a holiday on employer contributions as the Plan has an actuarial surplus (see Note 6).

6. Obligations for Pension Benefits

The present value of accrued pension benefits was determined using the accrued benefit method with salary projections prorated on service and the best estimate assumptions approved by the Workers' Compensation Superannuation Board. The most recent triennial actuarial valuation was made as at December 31, 1996 and extrapolated to December 31, 1998 by William M. Mercer Limited.

The actuarial present value of benefits as at December 31, and the principal components of changes in actuarial present values during the year, were as follows:

	<u>1998</u>	<u>1997</u>
Actuarial present value of accrued pension benefits at beginning of the year	\$19,255,000	\$18,495,000
Interest accrued on benefits	1,322,000	1,290,000
Benefits accrued	377,000	394,000
Benefits paid	<u>(1,114,000)</u>	<u>(924,000)</u>
Actuarial present value of accrued pension benefits at end of the year	<u>\$19,840,000</u>	<u>\$19,255,000</u>

The assumptions used in determining the actuarial value of accrued pension benefits were:

	<u>1998</u>	<u>1997</u>
Interest rate	7%	7%
Salary escalation rate	5%-7.5%	5%-7.5%

The actuarial asset values used in the valuation were:

	<u>1998</u>	<u>1997</u>
Market value of net assets available for benefits	\$27,496,000	\$26,053,000
Market value changes not reflected in actuarial value of net assets	<u>(2,555,000)</u>	<u>(3,597,000)</u>
Actuarial value of net assets available for benefits	<u>\$24,941,000</u>	<u>\$22,456,000</u>

The pension liability for December 31, 1998 is \$19.8 million. The pension liability is based on a number of assumptions about future events including: interest, rate of salary increase, mortality, retirement rates and inflation. The actual rates may vary significantly from the long-term assumptions used.

The actuarial present value of accrued pension benefits contains a provision for ad hoc increases as they are subject to Lieutenant Governor in Council approval. The ad hoc assumption is 50% of CPI based on previous year's experience. The Lieutenant Governor in Council may provide for supplementary allowances to be paid to superannuates in any year, in any amount and subject to any terms and conditions he considers advisable. An increase of 1.25% granted effective April 1, 1998 has been reflected in the valuation.

The following illustrates the effect of changing certain assumptions:

- a) Long-term inflation was assumed to be 4.0%. If it were assumed to be
 - 5.0%, the liabilities would decrease by approximately 5.3%.
 - 3.0%, the liabilities would increase by approximately 5.8%.
- b) Ad hoc increases were assumed to be 50% of CPI. If it were assumed to be
 - 60% of CPI, the liabilities would increase by 3.9%.
 - 40% of CPI, the liabilities would decrease by 3.7%.

The assumed real rate of return of 3% per annum was held constant in these calculations, but any inflation related rates would change whenever inflation does.

If there are insufficient moneys in the Plan to pay allowances or other payments, the Workers' Compensation Board is obligated to pay any such deficiency to the Plan.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, departments, agencies, boards and commissions related to the Plan by virtue of common influence by the Government of Saskatchewan.

Certain administration expenses are paid by the Plan to the Government of Saskatchewan Public Employees Benefits Agency Revolving Fund based on prevailing market prices and normal trade terms.

8. Administration Expenses

	1998	1997
Administration - PEBA Revolving Fund	\$ 70,270	\$ 84,962
Custodian fees - Royal Trust	19,162	12,544
Investment management fees - Greystone	22,798	23,835
	<u>\$ 112,230</u>	<u>\$ 121,341</u>

9. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the balance sheet of the **Agricultural Credit Corporation of Saskatchewan** as at March 31, 1999 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Regina, Saskatchewan
May 13, 1999

BALANCE SHEET

	March 31	
	1999	1998
	(In thousands)	
Assets		
Cash	\$ 462	\$ 217
Accounts receivable	3,118	61
Loans receivable (Notes 3, 4 & 5)	86,663	121,005
Assets held for resale (Notes 5 & 6)	12,118	12,444
Capital assets (Note 7)	335	290
Prepaid and deferred costs	357	586
	\$ 103,053	\$ 134,603
Liabilities		
Interest and other accrued payables	\$ 7,729	\$ 8,941
Counselling and assistance for farmers program claims payable (Note 8)	-	9
Unexpended grants payable (Schedule 2)	305	124
Current portion of long-term debt (Note 9)	-	34,657
Long-term debt (Note 9)	94,179	90,077
	102,213	133,808
Equity		
Equity in capital assets (Note 7)	335	290
Accumulated surplus	505	505
	840	795
	\$ 103,053	\$ 134,603

Contingencies and commitments (Notes 11)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF OPERATIONS AND SURPLUS

For the year ended March 31

	Budget 1999 (unaudited) (Note 16)	Actual 1999	Actual 1998
(In thousands)			
Interest and dividend income (Note 10)			
Loans receivable	\$ 13,499	\$ 13,533	\$ 19,027
Sinking fund and Short term investments	7,000	8,218	5,909
Dividends	-	-	12
	<u>20,499</u>	<u>21,751</u>	<u>24,948</u>
Interest expense			
Long-term debt	<u>31,499</u>	<u>30,589</u>	<u>31,958</u>
Net interest expense	<u>11,000</u>	<u>8,838</u>	<u>7,010</u>
 Provision for losses (Note 5)	 4,100	 2,748	 8,612
Counselling and assistance for farmers program claim (Note 8)	-	(9)	(62)
Administrative expenses (Schedule 1)	7,640	6,700	8,938
Other income	(648)	(961)	(1,168)
Loss before grants	<u>22,092</u>	<u>17,316</u>	<u>23,330</u>
Grants (Schedule 2)	<u>22,092</u>	<u>17,621</u>	<u>23,600</u>
Surplus before unexpended grants repayable	-	305	270
Unexpended grants repayable (Schedule 2)	-	(305)	(124)
Surplus for the year	-	-	146
Surplus - Beginning of year	505	505	639
Agri-food equity fund payout of accumulated surplus	-	-	(280)
Surplus - End of year	<u>\$ 505</u>	<u>\$ 505</u>	<u>\$ 505</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended March 31

	1999	1998
	(In thousands)	
Cash provided by (used in):		
Operating activities		
Surplus for the year	\$ -	\$ 146
Change in working capital other than cash (Note 13)	5,633	19,107
	<u>5,633</u>	<u>19,253</u>
New loans advanced	(2)	(95)
Principal payments received	27,923	58,282
(Increase) decrease in accounts receivable	(3,057)	5,026
Increase in unexpended grant repayable	181	33
Agri-food equity fund investments	-	536
Decrease in CAFF claims payable	(9)	(73)
Increase in other operating activities	131	832
	<u>25,167</u>	<u>64,541</u>
Cash provided by operating activities	30,800	83,794
Financing activities		
Decrease in long-term debt	(30,555)	(85,729)
Net increase (decrease) in cash	245	(1,935)
Cash - Beginning of the year	217	2,152
Cash - End of the year	\$ 462	\$ 217

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

March 31, 1999

1. Status of the Corporation

The Agricultural Credit Corporation of Saskatchewan (ACS) is a Corporation that acts as an agent of the Government of Saskatchewan and provides financial assistance to encourage and promote the development and expansion of the agricultural industry in the Province. On March 28, 1996, the Government of Saskatchewan announced that ACS would be wound up.

2. Significant accounting policies

- a) Under Section 29 of The Agricultural Credit Corporation of Saskatchewan Act, the Minister of Agriculture and Food may make grants to the Corporation out of monies appropriated by the Legislature. Grants may be provided for the payment of administration costs, for the payment of interest on funds borrowed, to defray losses on loans not repaid and for other purposes that may be determined by the Minister. Grant funds received for the fiscal year are for specific purposes. Any excess funds received for the fiscal year and not expended on each specific purpose are reported on the Balance sheet as Unexpended grants repayable.

New expenditures incurred in a fiscal year which exceed the grant provided for that purpose are reported as a deficit for the year and may be recovered from the grant to be received for that purpose in a subsequent year.

- b) Amounts recovered from customers for capital grants paid to them in prior years and amounts recovered for guarantees paid under discontinued programs are retained by the Corporation and are reported as surplus.
- c) Capital assets are expensed in the year of purchase. To maintain accountability, these assets are reflected on the Balance sheet, net of accumulated depreciation, with an offsetting equity balance. All Capital assets are depreciated on a straight-line basis over a five year period.
- d) Discounts and expenses relating to the issuance of debt are amortized on a straight-line basis over the life of the debt and are included in Interest expense on long-term debt. The unamortized costs are carried on the Balance sheet in Prepaid and deferred costs.
- e) The Allowance for losses represents management's estimate of possible losses on loans and debentures outstanding at the end of the fiscal year. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the allowance for losses. This allowance has been based, in general, upon an estimate derived from a sample of outstanding loans and, in part, on a review of existing impaired loans.
- f) The Corporation records, as Assets held for resale, the fair market value, at the date of acquisition, of assets acquired through settlement, quit claim or foreclosure. These asset values are adjusted annually for carrying costs and for the income or loss from any operations associated with the assets.

3. *Loan programs*

a) Capital loan program

Loans are repayable over terms not exceeding 25 years and bear interest at rates between 6% and 13 ½%. Security on the loans varies and may include mortgages on real property, security agreements and guarantees.

b) Investment loan program

Investment loans bear interest at rates between 8 ½% and 10 ¼% and are repayable over terms not exceeding 25 years. Security on the loans varies and may include mortgages on real property, security agreements and guarantees.

c) Production loan program

Production loans were disbursed in 1986 to provide farmers, bee colony owners, potato producers and greenhouse operators with loans bearing interest at 6%, repayable in equal principal instalments over a term of three years. Amounts in arrears are at prime plus 2%. Amendments to the program allowed the borrowers to reschedule their outstanding loans to mature in 1997. Subsequently, some loans were rewritten with longer terms to assist borrowers to repay their loans. These amended loans bear interest at 9 ¾%.

The loans are secured by promissory notes, and where applicable, by guarantees and general security agreements.

d) Livestock cash advance program

Effective August 1, 1993, customers with Livestock cash advances began repaying the loans, bearing interest at the bank prime rate plus 2% over a maximum five year period.

The loans are secured by promissory notes, and where applicable, by guarantees.

e) Spring seeding loan program

During the 1992 fiscal year, the Corporation paid out \$48.6 million to honour guarantees on loans granted by financial institutions under the Spring seeding loan program. The loans bear interest at prime plus 2%.

The loans are secured by promissory notes and, where applicable, by guarantees and general security agreements.

f) Counselling and assistance for farmers program

Effective August 1, 1992, ACS assumed responsibility for loans and guarantees, which were outstanding under the Counselling, and assistance for farmers program. New guarantees were not issued under this program by the Corporation. The existing guarantees had been renewed until March 31, 1995 at which time the program was terminated.

The majority of the loans under this program are in default, had judgements obtained on them and bear interest at 5%.

The loans are secured by way of an assignment of security from the original lender.

g) Other loans

The Corporation is continuing collection of cash advances made to cattle producers up to March 31, 1980 under Part VI, VII, VIII of the Regulations under The Agricultural Incentives Act.

The loans are secured by promissory notes.

4. *Loans receivable*

	1999			1998		
	Gross	Allowance	Net	Gross	Allowance	Net
(In thousands)						
Capital loans	\$ 112,577	\$ 34,649	\$ 77,928	\$ 136,567	\$ 32,410	\$ 104,157
Investment loans	3,460	339	3,121	4,098	271	3,827
Production loans	5,591	2,944	2,647	10,103	5,191	4,912
Livestock cash advances	5,038	2,162	2,876	12,219	4,234	7,985
Spring seeding loans	143	52	91	260	136	124
Counselling and assistance for farmers loans	3,159	3,159	-	4,163	4,163	-
Other loans	2	2	-	7	7	-
	\$ 129,970	\$ 43,307	\$ 86,663	\$ 167,417	\$ 46,412	\$ 121,005

During the year a number of the Corporation's customers refinanced their Production loans, Livestock cash advances, Spring seeding loans and Counselling and assistance for farmers loans under the Capital loan program.

5. *Allowance for losses*

	Loans	Assets held for resale	1999	1998
	\$	\$	\$	\$
(In thousands)				
Balance - Beginning of year	\$ 46,412	\$ 4,978	\$ 51,390	\$ 62,825
Provision for losses	3,919	(1,171)	2,748	8,612
Losses and write-offs	(7,024)	95	(6,929)	(18,647)
Transfer to Saskatchewan Agriculture and Food	-	-	-	(1,400)
Balance - End of the year	\$ 43,307	\$ 3,902	\$ 47,209	\$ 51,390

The allowance for loan losses for Capital loans approved prior to October 1, 1987, Production loans, Livestock cash advances, Spring seeding loans, Counselling and assistance for farmers loans and Other loans is funded by a grant from Province of Saskatchewan, Department of Agriculture and Food.

6. Assets held for resale

	1999	1998
	(In thousands)	
Cost	\$ 16,020	\$ 17,422
Allowance for losses	(3,902)	(4,978)
	<u>\$ 12,118</u>	<u>\$ 12,444</u>

7. Capital assets and equity in capital assets

	1999	1998
	(In thousands)	
Cost	\$ 3,320	\$ 3,269
Accumulated depreciation	(2,985)	(2,979)
	<u>\$ 335</u>	<u>\$ 290</u>

8. Counselling and assistance for farmers program claims payable

Under the Counselling and assistance for farmers program, the Corporation received claims from financial institutions to honour the guarantees of certain customers.

During the year, the Corporation paid out \$nil (1998 - \$11,300) for claims accrued at the previous fiscal year end.

The program was terminated effective March 31, 1995. Based on outstanding claims information provided by the financial institutions, the amount accrued as a claims payable was reduced by \$9,000 (1998 - \$62,000). As a result, the claims payable outstanding at March 31, 1999 was \$nil (1998 - \$9,000).

9. Borrowing

Sections 17 and 19 of The Agricultural Credit Corporation of Saskatchewan Act allows the Corporation to borrow, with the approval of the Lieutenant Governor in Council, monies from various sources as it deems necessary for its purposes. Section 22 restricts total borrowing by the Corporation to \$2,000,000,000.

a) Long-term debt

All long-term debt is repayable to the Province of Saskatchewan General Revenue Fund. Interest is payable semi-annually with principal due at maturity.

The weighted average interest rates of this debt follows:

Year of Maturity	1999		1998	
	Amount Due	Weighted Average Interest Rate	Amount Due	Weighted Average Interest Rate
(In thousands)				
Debentures				
1999	\$ -	-	\$ 4,657	9.49%
2001	28,600	12.36%	28,600	12.36%
2002	33,000	15.75%	33,000	15.75%
2003	20,434	15.89%	20,434	15.89%
2004	13,517	11.59%	13,517	11.59%
	95,551	13.52%	100,208	13.96%
Bonds				
1998	-	-	30,000	7.65%
2001	140,000	11.00%	140,000	11.00%
	140,000	11.00%	170,000	10.41%
	235,551	12.02%	270,208	11.73%
Less: Equity in sinking fund	141,372		145,474	
Current portion due in one year	-		34,657	
	\$ 94,179		\$ 90,077	

A sinking fund was established in 1996/97 to provide payment of the bonds and debentures as they mature. The sinking fund is with the Department of Finance.

10. Interest income

Interest income and dividend income

	1999	1998
(In thousands)		
Loans receivable	\$ 13,472	\$ 18,125
Interest recognized on impaired loans	61	902
Agri-Food Equity Fund investments	-	128
Short-term investments	180	151
Sinking fund investments	8,038	5,630
Dividend income	-	12
	\$ 21,751	\$ 24,948

11. Guaranteed loans under The Agricultural Credit Corporation of Saskatchewan Act

Guarantees may be provided by the Corporation to vendors under the Guaranteed vendor mortgage program for the sale of farm land and existing improvements. The guarantees are for 100% of the principal amount outstanding. The contingent liability of the Corporation for guaranteed vendor mortgages outstanding at March 31, 1999 was \$660,000 (1998 - \$749,000).

12. *Related party transactions*

Included in these financial statements are income and expense amounts resulting from routine operating transactions with various Saskatchewan crown-controlled departments, agencies and corporations with which the Corporation is related. Transactions with these parties are recorded at what management believes are normal market prices. Account balances from these transactions are included in the Balance sheet and are settled on normal trade terms. Other transactions and amounts due to and from related parties and the terms of settlement are described separately in the financial statements and notes thereto.

During the year, the Corporation resolved \$6.2 million of delinquent accounts on behalf of Saskatchewan Crop Insurance. Of this total, \$592,244 was paid to ACS as a collection fee. Included in accounts receivable at March 31, 1999 is \$52,181.

Included in accounts receivable at March 31, 1999 is \$3,052,000 (1998 - \$nil) from Saskatchewan Agriculture and Food to fund administration, loan loss and interest subsidy expenses. As well, at March 31, 1999, the Corporation owes \$6,906,000 (1998 - \$8,019,000) (included with interest and other accrued payables) to the Province of Saskatchewan General Revenue Fund for interest on long-term debt. The Corporation also has loans receivable of \$2,379,000 (1998 - \$2,521,000) from a customer with which Crown Investments Corporation of Saskatchewan has a controlling interest.

During the year, the Corporation paid \$594,000 (1998 - \$718,000) to Saskatchewan Property Management Corporation primarily for office occupancy expenses. The lease terms have been negotiated for 5 to 10 year periods with an option to relinquish the lease space with three months notice.

In addition, the Corporation also paid \$633,000 (1998 - \$1,153,000) to other related parties at normal trade terms.

The expenses paid to the related parties were included with the total Administration expenses.

13. *Change in working capital other than cash*

	1999	1998
	(In thousands)	
Decrease in accrued interest on loans receivable	\$ 2,501	\$ 9,534
Increase (decrease) in accrued interest on debt payable	(1,113)	10
Provision for losses	2,748	8,612
Increase in other non-cash items	1,497	951
	\$ 5,633	\$ 19,107

14. Financial instruments

Fair values

Estimated fair value approximates amounts at which financial instruments could be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. Many of the Corporation's financial instruments lack an available trading market, so fair values are based on estimates using present value techniques which are affected by assumptions concerning the timing of future cash flows and discount rates. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The Corporation has determined the fair value of its financial instruments as follows:

a) Cash, accounts receivable, interest and other accrued payables:

The carrying amount on the balance sheet approximates fair value because of the short-term nature of these instruments.

b) Loans receivable:

Fair value was not established for the loan portfolio due to there being no established market for the developmental loans made by the Corporation. With no available market information and the diverse nature of the loan portfolio it was not deemed practicable to determine the fair value with sufficient reliability.

c) Notes payable and debentures payable:

The estimated fair values for all long-term debt obligations and the sinking fund are estimated using discounted cash flow analysis based on current incremental borrowing rates for similar borrowing arrangements. The estimated fair values of these financial instruments may not represent the amounts that could be realized upon settlement.

The estimated fair values of the Corporation's debt instruments are as follows:

	1999		1998	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
	(In thousands)			
Debentures payable	\$ 95,551	\$ 109,503	\$ 100,208	\$ 118,759
Bonds payable	140,000	145,560	170,000	178,798
Sinking fund	(141,372)	(141,563)	(145,474)	(145,677)
	<u>\$ 94,179</u>	<u>\$ 113,500</u>	<u>\$ 124,734</u>	<u>\$ 151,880</u>

Credit risk management

Credit risk arises from potential for borrowers to default on their contractual loan obligations. Credit exposure on the Corporation's loan portfolio is managed through appropriate due diligence and account administration. To minimize the credit risk associated with the loans the Corporation requires security agreements and personal guarantees on all loans.

Interest rate risk management

The Corporation manages interest rate risk by borrowing long-term debt through the Province of Saskatchewan General Revenue Fund at fixed interest rates and terms designated to match the average terms of the Corporation's loan portfolio.

15. *Uncertainty due to Year 2000 issues*

Many computerized systems use two digits rather than four to identify a year. Errors may occur in sensitive systems when information using year 2000 dates is processed or if certain dates in 1999 are used to represent something other than a date.

The effects of the Year 2000 issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect the Corporation's ability to conduct normal business operations. It is not possible to be certain that all aspects of this issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

16. *Budget figures*

The Budget figures are presented for comparison purposes, are unaudited, and are those approved by the Board, reclassified to conform with the presentation of these financial statements.

17. *Comparative figures*

Certain of the prior year comparative figures have been reclassified to conform to the current year presentation.

SCHEDULE 1**For year ended March 31****Administrative Expenses**

	1999	1998
	(In thousands)	
Advertising	\$ -	\$ 29
Communications	179	276
Legal and registration fees	401	516
Management information systems	475	370
Office occupancy	573	634
Professional services	146	208
Salaries and benefits	4,115	5,854
Severance costs due to wind up	460	544
Supplies and office equipment	82	140
Travel and sustenance	269	367
	\$ 6,700	\$ 8,938

SCHEDULE 2

Grants from Province of Saskatchewan - Department of Agriculture and Food

As described in Note 2a, the following table summarizes grant activity for the year ended March 31, 1999.

	Administration	Interest Subsidy	Loan Losses & Guarantees	Counselling & Assistance for Farmers (in thousands)	1999 Total	1998 Total
Appropriation approved	\$ 6,992	\$ 11,000	\$ 4,100	\$ -	\$ 22,092	\$ 24,092
Appropriation not required	(948)	(2,000)	(1,523)	-	(4,471)	(492)
Grant proceeds available	6,044	9,000	2,577	-	17,621	23,600
Expenditures						
Administration	6,700	-	-	-	6,700	8,938
Interest	-	30,589	-	-	30,589	31,958
Provision for losses	-	-	3,295	(547)	2,748	8,612
Transfer to surplus (Notes 2b & 2g)	-	-	-	-	-	146
Less						
Interest income	-	(21,550)	-	(201)	(21,751)	(24,948)
Other income	(961)	-	-	-	(961)	(1,168)
Counselling and assistance for farmers	-	-	-	(9)	(9)	(62)
Net expenditure (revenue)	5,739	9,039	3,295	(757)	17,316	23,476
\$	305 \$	(39) \$	(718) \$	757 \$	305 \$	124

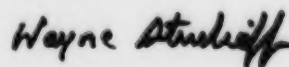
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Liquor and Gaming Authority as at March 31, 1999 and the statements of operations and retained earnings, and cash flows for the year then ended. The Authority's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
June 25, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

**LIQUOR AND GAMING AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31**

	<u>1999</u> (000's)	<u>1998</u> (000's)
ASSETS		
Current assets:		
Cash	\$ 630	\$ 841
Due from General Revenue Fund (Note 3)	43,904	31,467
Deposit in General Revenue Fund (Note 4)	318,000	352,800
Accounts receivable	11,898	14,227
Prepaid expenses	1,623	1,340
Inventories (Note 5)	<u>12,488</u>	<u>12,440</u>
	388,543	413,115
Capital assets (Note 6)	26,889	29,492
Deferred goods and services tax (Note 7)	<u>556</u>	<u>822</u>
	<u><u>\$ 415,988</u></u>	<u><u>\$ 443,429</u></u>

LIABILITIES AND RETAINED EARNINGS

Current liabilities:		
Accounts payable	\$ 8,110	\$ 6,965
Accrued pension costs (Note 8)	<u>21,056</u>	<u>18,571</u>
	29,166	25,536
Retained Earnings (Statement 2)	<u>386,822</u>	<u>417,893</u>
	<u><u>\$ 415,988</u></u>	<u><u>\$ 443,429</u></u>
Commitments (Note 9 & 18)		

(See accompanying notes to the financial statements)

Statement 2

LIQUOR AND GAMING AUTHORITY
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
For the Year Ended March 31

	1999		1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(000's)	(000's)	(000's)
	(Note 11)	(Note 14)	
Sales (Note 12)	\$ 492,202	\$ 521,264	\$ 497,775
Cost of sales	<u>186,818</u>	<u>196,206</u>	<u>188,204</u>
Gross profit	305,384	325,058	309,571
Operating expenses (Schedule 1)	<u>52,563</u>	<u>51,314</u>	<u>50,099</u>
	252,821	273,744	259,472
Casino income (Note 13)	17,000	20,138	22,342
Other income (Schedule 2)	<u>6,877</u>	<u>7,799</u>	<u>6,118</u>
	276,698	301,681	287,932
Goods and services tax (Note 7)	<u>2,903</u>	<u>2,752</u>	<u>2,781</u>
Net income for the year	<u>\$ 273,795</u>	298,929	285,151
Retained earnings, beginning of year		<u>417,893</u>	<u>482,742</u>
		716,822	767,893
Transfer to General Revenue Fund (Note 4)		<u>330,000</u>	<u>350,000</u>
Retained earnings, end of year - to Statement 1		<u>\$ 386,822</u>	<u>\$ 417,893</u>

(See accompanying notes to the financial statements)

Statement 3

LIQUOR AND GAMING AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	<u>1999</u> (000's)	<u>1998</u> (000's)
Cash flows from operating activities:		
Cash receipts from customers	\$ 546,887	\$ 516,928
Interest received	4,643	3,078
Cash paid to suppliers and employees	(234,366)	(230,318)
Goods and services tax paid	<u>(2,752)</u>	<u>(2,781)</u>
	314,412	286,907
Cash flows from investing activities:		
Purchase of capital assets	(6,986)	(2,739)
Cash flows from financing activities:		
Cash deposited in General Revenue Fund (Note 4)	<u>(295,200)</u>	<u>(271,000)</u>
Net increase in cash	12,226	13,168
Cash, beginning of year	<u>32,308</u>	<u>19,140</u>
Cash, end of year	<u><u>\$ 44,534</u></u>	<u><u>\$ 32,308</u></u>
Cash consists of:		
Cash	\$ 630	\$ 841
Due from General Revenue Fund	<u>43,904</u>	<u>31,467</u>
	<u><u>\$ 44,534</u></u>	<u><u>\$ 32,308</u></u>

(See accompanying notes to the financial statements)

**LIQUOR AND GAMING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1999**

1. Description of Business

The Liquor and Gaming Authority operates under the authority of *The Alcohol and Gaming Regulation Act*. The Authority's mandate is to support, develop and regulate the Saskatchewan liquor and gaming industries and to maximize public benefit through high quality services and products.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant policies which have been adopted are described below.

(a) Basis of Accounting

These financial statements are prepared using the accrual basis of accounting.

(b) Revenue

Liquor Sales

Sales are reflected in the accounts net of returns, container deposits, GST, Liquor Consumption Tax and discounts.

Licence Fees

Pursuant to *The Gaming Licensing Regulations*, the Authority charges an application fee for gaming licences. A fee based on net revenues generated is levied only on exhibition casino licensees.

Video Lottery Sales

Revenue is recorded net of prize payouts.

(c) Inventories

Inventories of wine, coolers, spirits and beer are valued at the lower of cost and net realizable value.

(d) Capital Assets

Buildings, sites and equipment are stated at cost less accumulated amortization. Amortization is calculated on a straight-line basis at rates designed to allocate the cost of the capital assets over their estimated useful lives. Rates are as follows:

Buildings	2.5 - 5% per annum
Equipment	15 - 33% per annum
VLTs & Slots	20% per annum

Leasehold improvements are amortized over the term of the lease.

(e) Pension Expense

The cost of pension benefits earned by employees who are members of the Authority's defined benefit plan, known as the Liquor Board Superannuation Plan, is determined using the projected benefit method prorated on the basis of term of service. It is charged in the accounts as an expense as the service is rendered. The amount of the expense reflects management's best estimate of the plan's expected investment yields, salary adjustments, mortality of members, terminations, the ages at which members will retire and ad hoc increases, based upon the Consumer Price Index, to be granted by the Lieutenant Governor in Council.

Based upon the most recent actuarial valuation of the plan, adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service lives of the employees who are members of the defined benefit plan which is 11.5 years. The difference between the amount expensed and the amount funded is reflected as a liability on the balance sheet.

3. Due from General Revenue Fund

Most of the Authority's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. Earned interest is calculated and paid by the General Revenue Fund on a monthly basis into the Authority's bank accounts using the Government's thirty day borrowing rate and the Authority's daily bank balance. The Government's average thirty day borrowing rate for 1998/99 is 5.04% (1997/98 – 3.77%).

4. Deposits in General Revenue Fund

These deposits represent advances to the General Revenue Fund pursuant to Section 175(5) of *The Alcohol and Gaming Regulation Act*. These amounts, which are non-interest bearing, are deposited to the credit of the Authority in the General Revenue Fund until Treasury Board directs that they be transferred to the General Revenue Fund pursuant to Section 175(1). Deposits in General Revenue Fund at March 31, were determined as follows:

	1999 (000's)	1998 (000's)
Balance at beginning of year	\$ 352,800	\$ 431,800
Net gaming deposits during the year	165,282	149,469
Deposits during the year pursuant to Section 175(5)	<u>129,918</u>	<u>121,531</u>
	295,200	271,000
Transfer to General Revenue Fund pursuant to Section 175(1)	<u>330,000</u>	<u>350,000</u>
Balance at end of year	<u>\$ 318,000</u>	<u>\$ 352,800</u>

5. Inventories

	1999 (000's)	1998 (000's)
Wines, coolers and spirits in stores	\$ 5,920	\$ 4,803
Wines, coolers and spirits in warehouse	5,449	6,846
Beer in stores	<u>1,119</u>	<u>791</u>
	<u>\$ 12,488</u>	<u>\$ 12,440</u>

6. Capital Assets

	1999			1998		
	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)
Sites	\$ 2,074	\$ ---	\$ 2,074	\$ 2,074	\$ ---	\$ 2,074
Buildings	20,516	9,223	11,293	18,783	8,660	10,123
VLTs	34,903	30,971	3,932	34,932	25,717	9,215
Slots (see Note 13)	10,184	4,490	5,694	7,548	2,053	5,495
Furniture & equipment	13,159	10,051	3,108	10,912	9,332	1,580
Leasehold improvements	<u>3,342</u>	<u>2,554</u>	<u>788</u>	<u>3,069</u>	<u>2,064</u>	<u>1,005</u>
	<u>\$ 84,178</u>	<u>\$ 57,289</u>	<u>\$ 26,889</u>	<u>\$ 77,318</u>	<u>\$ 47,826</u>	<u>\$ 29,492</u>

7. Goods and Services Tax

The Authority is on the prescribed list of lottery corporations pursuant to Section 188 of the *Federal Excise Tax Act*. In lieu of collecting GST on VLT and slot revenue at the retail level, the Authority calculates and remits GST according to a formula prescribed by Revenue Canada.

The formula requires the Authority to pay 14% on the purchase of taxable goods and services related to gaming programs and 7% on VLT site contractor commissions. One-half of the GST paid on gaming program capital assets is set up as a deferred tax and is amortized on a straight-line basis over the useful life of those capital assets.

8. Pension Plan

The Authority maintains pension plans which provide retirement benefits for employees. The Public Employees Pension Plan is a defined contribution plan. Employee contributions to this plan are matched by the Authority on an ongoing basis. The total contributions matched in 1999 were \$989,000. This equals the Authority's pension expense for members of this plan.

The defined benefit plan is administered by The Liquor Board Superannuation Commission. It provides superannuation allowances to those employees and Board members who were enrolled on October 1, 1977 and who did not elect to transfer to the Public Employees Pension Plan prior to October 1, 1978.

The defined benefit plan provides for superannuation allowances which are based on employees' years of service and their highest five years' earnings. The plan requires contributions from both employees and the Authority. The latest actuarial valuation of the Liquor Board Superannuation Plan was performed at December 31, 1996 and extrapolated to December 31, 1998 by William M. Mercer Ltd. The extrapolation results in an unfunded liability of \$24.3 million. This consists of the actuarial present value of accrued benefits in the amount of \$38.9 million less the market value of superannuation fund assets of \$14.6 million.

The pension liability is based on a number of assumptions about future events like interest and the rate of salary increases. Actual rates may vary significantly from the long term assumptions used.

The Authority is providing for the unfunded liability by accruing as an expense an amount which is in excess of that which has been funded. Included in this accrual are bridging costs and retirement allowances pertaining to the early retirement program and ad hoc increases that are subject to Lieutenant Governor in Council approval. The accrued pension costs as at March 31 were determined as follows:

	1999 (000's)	1998 (000's)
Accrued pension costs, beginning of year	\$ 18,571	\$ 16,426
Pension expense:		
Current service costs	429	401
Early retirement costs	27	40
Net amortization	<u>3,408</u>	<u>3,568</u>
	3,864	4,009
Less: amounts funded	<u>1,379</u>	<u>1,864</u>
Accrued pension costs, end of year	<u>\$ 21,056</u>	<u>\$ 18,571</u>

9. Lease Commitments

The Authority, as lessee, is committed under operating leases on leased premises with future minimum payments due as follows:

Year Ending March 31	(000's)
2000	\$ 2,100
2001	1,915
2002	1,366
2003	897
2004	813
Subsequent years	<u>2,234</u>
Total	<u>\$ 9,325</u>

10. Fair Value

Cash, due from General Revenue Fund, Deposits in General Revenue Fund, accounts receivable and accounts payable are all short-term in nature and as such their carrying value approximates fair value. Fair value for accrued pension costs has not been included because it is not practicable to determine fair value for pension costs.

11. 1999 Budget

These amounts represent the budget approved by Treasury Board.

12. Sales

	<u>1999</u> (000's)	<u>1998</u> (000's)
<u>Liquor</u>		
Wine, coolers and spirits		
In stores:		
- To permittees	\$ 29,346	\$ 27,512
- To public	<u>111,552</u>	<u>107,883</u>
	<u>140,898</u>	<u>135,395</u>
To franchises:		
- To permittees	5,192	5,498
- To public	<u>20,718</u>	<u>20,079</u>
	<u>25,910</u>	<u>25,577</u>
	<u>166,808</u>	<u>160,972</u>
Beer		
- To permittees	111,631	108,441
- In stores	40,585	38,780
- To franchises	<u>2,939</u>	<u>2,729</u>
	<u>155,155</u>	<u>149,950</u>
	<u>321,963</u>	<u>310,922</u>
<u>Gaming</u>		
VLT	<u>199,301</u>	<u>186,853</u>
Total sales	<u>\$ 521,264</u>	<u>\$ 497,775</u>

13. Casino Operating Agreement with the Saskatchewan Indian Gaming Authority

On February 10, 1995, the Government of Saskatchewan, through the Authority and the Indian and Metis Affairs Secretariat, made an agreement with the Federation of Saskatchewan Indian Nations, for the purpose of increasing economic and employment opportunities for Aboriginal peoples through casino development.

To implement the above agreement, the Authority and the Saskatchewan Indian Gaming Authority (SIGA) made agreements for casino operations and slot management. The casino operating agreement requires SIGA to pay net profits from slot machines to the Authority. The slot management agreement ensures the Authority receives at least the cost of the slot machines, the related computer system and interest over 5 years. The net profits from the First Nations casinos flow through the Authority to the province's General Revenue Fund (GRF), and are appropriated to the First Nations Fund (FNF) and the Associated Entities Fund (AEF), in accordance with *The Saskatchewan Gaming Corporation Act* and the 1995 Framework Agreement.

Accounts receivable includes \$6.4 million (1998 - \$7.9 million) due from SIGA.

14. Segmented Information

The Authority operates in three segments - liquor, VLT and other gaming.

The liquor segment reflects the retailing and licensing of beverage alcohol activities within the province.

The VLT segment pertains to the operation of the VLT program under the authority of Section 207 of the *Criminal Code* and *The Alcohol and Gaming Regulation Act*.

The other gaming segment reflects the activities of casinos run by the Saskatchewan Indian Gaming Authority (see Note 13). This segment also reflects the licensing and support of charitable and religious organizations who conduct and manage bingos, casinos, raffles and breakopen ticket sales and the regulation and support of the horse racing industry.

The following table shows key amounts by segment. There were no sales or eliminations between segments.

	SEGMENTS							
	LIQUOR		VLT		OTHER GAMING		TOTAL	
	1999 (000's)	1998 (000's)	1999 (000's)	1998 (000's)	1999 (000's)	1998 (000's)	1999 (000's)	1998 (000's)
Sales	<u>\$ 321,963</u>	<u>\$ 310,922</u>	<u>\$ 199,301</u>	<u>\$ 186,853</u>			<u>\$ 521,264</u>	<u>\$ 497,775</u>
Gross profit	156,501	151,733	168,557	157,838			325,058	309,571
Casino income	—	—	—	—	\$ 20,138	\$ 22,342	20,138	22,342
Other income	4,291	3,515	2,550	1,279	958	1,324	7,799	6,118
Operating expenses	<u>31,221</u>	<u>29,536</u>	<u>11,509</u>	<u>13,088</u>	<u>8,584</u>	<u>7,475</u>	<u>51,314</u>	<u>50,099</u>
Income before tax	129,571	125,712	159,598	146,029	12,512	16,191	301,681	287,932
Goods and services tax	—	—	<u>2,673</u>	<u>2,693</u>	<u>79</u>	<u>88</u>	<u>2,752</u>	<u>2,781</u>
Net income	129,571	125,712	156,925	143,336	12,433	16,103	298,929	285,151
Retained earnings, beginning of year	321,551	350,239	88,764	141,028	7,578	(8,525)	417,893	482,742
Transfer to General Revenue Fund	<u>145,239</u>	<u>154,400</u>	<u>175,414</u>	<u>195,600</u>	<u>9,347</u>	—	<u>330,000</u>	<u>350,000</u>
Retained earnings, end of year	<u>\$ 305,883</u>	<u>\$ 321,551</u>	<u>\$ 70,275</u>	<u>\$ 88,764</u>	<u>\$ 10,664</u>	<u>\$ 7,578</u>	<u>\$ 386,822</u>	<u>\$ 417,893</u>
Total assets	<u>\$ 334,358</u>	<u>\$ 345,990</u>	<u>\$ 70,947</u>	<u>\$ 89,648</u>	<u>\$ 10,683</u>	<u>\$ 7,791</u>	<u>\$ 415,988</u>	<u>\$ 443,429</u>
Capital expenditure	<u>\$ 3,956</u>	<u>\$ 1,179</u>	<u>\$ 394</u>	<u>\$ 235</u>	<u>\$ 2,636</u>	<u>\$ 1,325</u>	<u>\$ 6,986</u>	<u>\$ 2,739</u>
Amortization	<u>\$ 1,257</u>	<u>\$ 1,953</u>	<u>\$ 5,736</u>	<u>\$ 7,385</u>	<u>\$ 2,544</u>	<u>\$ 1,827</u>	<u>\$ 9,537</u>	<u>\$ 11,163</u>

15. Related Parties

These financial statements include transactions with related parties. The Authority is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Authority is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the standard rates charged by those organizations and are settled on normal trade terms.

In addition, the Authority pays Saskatchewan Provincial Sales tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

The Authority collected the following amounts for the Department of Finance:

	1999 (000's)	1998 (000's)
Container deposits on all wine, coolers, spirits and imported beer products	\$ 4,319	\$ 3,914
Liquor Consumption Tax	10,161	10,580
Container deposits on domestic beer sales	17,758	17,506

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

16. Regina Exhibition Association Limited (Association)

The Authority, the Saskatchewan Gaming Corporation (SGC), and the Association entered into a tripartite agreement. The Association terminated the agreement effective November 23, 1997. The terms of the agreement require SGC or the Authority to pay the Association monthly payments of \$235,417 for the first year following termination of the agreement and thereafter, monthly payments of \$216,667 in each of the next 29 years.

SGC has and continues to make the required monthly payments to the Association and therefore, this long term commitment has not been reflected in these financial statements. Any changes from this arrangement will be reflected in the financial statements in the year they occur.

17. Western Canada Lottery Corporation

The Saskatchewan Video Lottery Division of the Western Canada Lottery Corporation (WCLC) managed the video lottery terminals and central computer system on behalf of the Authority throughout the year. WCLC provided accounting, purchasing, cash disbursements, human resources, and technical services for the VLT program. WCLC also manages the slot machines and related computer system at the Saskatchewan Indian Gaming Authority casinos for the Authority (Note 13).

18. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

19. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Schedule 1

LIQUOR AND GAMING AUTHORITY
SCHEDULE OF OPERATING EXPENSES
For the Year Ended March 31

	<u>1999</u> (000's)	<u>1998</u> (000's)
Salaries, wages and fringe benefits	\$ 24,576	\$ 22,938
Capital asset amortization	9,537	11,163
Rent, utilities and insurance	3,784	3,590
Professional and contractual services	3,356	3,096
Grants	2,836	2,718
Operations and maintenance	1,592	1,417
Information technology	1,416	1,212
Stationery and supplies	1,190	1,122
Travel and business	1,044	897
Communications	581	629
Debit/credit charges	440	362
Service charges and interest	326	298
Customer service programs	169	196
Honoraria and related expenses	139	129
Stock dispositions	120	195
Sundry	117	86
Advertising and printing	<u>91</u>	<u>51</u>
	<u>\$ 51,314</u>	<u>\$ 50,099</u>

Schedule 2

**LIQUOR AND GAMING AUTHORITY
SCHEDULE OF OTHER INCOME
For the Year Ended March 31**

	1999 (000's)	1998 (000's)
Interest (Note 3)	\$ 4,643	\$ 3,078
License and other fees	1,473	1,371
Permits	479	472
Product displays	413	335
Miscellaneous	691	693
Mark-up collections at borders	100	169
	<u>\$ 7,799</u>	<u>\$ 6,118</u>

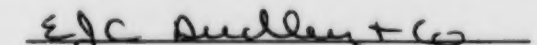
AUDITORS' REPORT

To The Members of The Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the **MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN** as at December 31, 1998 and the statements of loss and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.


E.J.C. Dudley & Co.
Chartered Accountants

Regina, Saskatchewan
February 09, 1999

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

STATEMENT OF FINANCIAL POSITION

As at December 31

	<u>1998</u>	<u>1997</u>
	(thousands of dollars)	
ASSETS		
Current Assets		
Cash and short-term investments	\$ 70,476	\$ 68,703
Interest receivable	2,010	1,892
Municipal debentures receivable within one year	<u>9,779</u>	<u>13,837</u>
	82,265	84,432
Investments in municipal debentures (Note 3)	<u>31,573</u>	<u>30,123</u>
	<u>\$ 113,838</u>	<u>\$ 114,555</u>
LIABILITIES AND PROVINCE'S EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,554	\$ 1,554
Debentures payable within one year	<u>1,000</u>	<u>-</u>
	2,554	1,554
Long-term debentures payable (Note 5)	83,167	84,167
Province of Saskatchewan's Equity		
Reinvested earnings	<u>28,117</u>	<u>28,834</u>
	<u>\$ 113,838</u>	<u>\$ 114,555</u>

(See accompanying notes)

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

STATEMENT OF LOSS AND REINVESTED EARNINGS

For the Year Ended December 31

	<u>1998</u>	<u>1997</u>
	(thousands of dollars)	
Revenue		
Investment income - municipal debentures	\$ 4,459	\$ 6,206
Investment income - short-term investments and cash balances	<u>3,407</u>	<u>2,273</u>
	<u>7,866</u>	<u>8,479</u>
Expenses		
Interest on long-term debt	8,559	8,917
Administration	<u>24</u>	<u>24</u>
	<u>8,583</u>	<u>8,941</u>
Net (loss)	(717)	(462)
Reinvested earnings, beginning of year	<u>28,834</u>	<u>29,296</u>
Reinvested earnings, end of year	<u>\$ 28,117</u>	<u>\$ 28,834</u>

(See accompanying notes)

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

STATEMENT OF CASH FLOWS

For the Year Ended December 31

	<u>1998</u>	<u>1997</u>
	(thousands of dollars)	
Operating Activities		
Net (loss)	\$ (717)	\$ (462)
Net change in non-cash working capital balances related to operations:		
Decrease (increase) in interest receivable	(118)	1,841
Decrease in accounts payable and accrued liabilities	<u>-</u>	<u>(27)</u>
Cash provided by operating activities	<u>(835)</u>	<u>1,352</u>
Investing Activities		
Purchase of municipal debentures	(11,229)	(260)
Amortization of discounts and premiums	(3)	1
Proceeds from maturing municipal debentures	13,840	16,126
Proceeds from sale of municipal debentures	<u>-</u>	<u>3,603</u>
Cash provided by investing activities	<u>2,608</u>	<u>19,470</u>
Financing Activities		
Repayment of long-term debt	<u>-</u>	<u>(3,500)</u>
Cash (used in) financing activities	<u>-</u>	<u>(3,500)</u>
Net increase in cash during the year	1,773	17,322
Cash and short-term investments, beginning of year	<u>68,703</u>	<u>51,381</u>
Cash and short-term investments, end of year	<u>\$ 70,476</u>	<u>\$ 68,703</u>

(See accompanying notes)

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN**NOTES TO FINANCIAL STATEMENTS****December 31, 1998****1. Significant Accounting Policies**

The Corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Short-term Investments

Short-term investments are carried at cost.

Investments in Municipal Debentures

Investments in municipal debentures are carried at amortized cost. The Corporation often purchases debentures at a premium or discount where the interest rate yield required by the Corporation varies from the coupon interest rate offered by the local governments. Premiums and discounts in excess of \$250 on the investment's purchase date are amortized to income using the straight-line method over the life of the investment. In this way, effective income derived from each debenture is adjusted to equal the Corporation's required yield for that debenture to its maturity.

Market Value of Short-Term Financial Instruments

For certain of the Corporation's financial instruments, the carrying amounts approximate fair value due to the immediate or short-term maturity of these financial instruments. These short-term financial instruments include cash and short-term investments, interest receivable, municipal debentures receivable within one year, accounts payable and accrued liabilities, and debentures payable within one year.

2. Status of the Corporation

The Municipal Financing Corporation of Saskatchewan was established in 1969 pursuant to the provisions of **The Municipal Financing Corporation Act** and continued under **The Municipal Financing Corporation Act, 1983**. The Corporation was established to assist municipalities in financing their capital requirements.

The Corporation is a Provincial Crown corporation and is therefore not subject to Federal or Provincial income tax but is subject to Provincial corporation capital tax.

3. Investments in Municipal Debentures

The Corporation invests in fixed rate debentures issued by schools, hospitals, cities, towns, villages and rural municipalities throughout the Province of Saskatchewan. The Corporation's policy is to limit its purchase of debentures to no more than 50% of the total authorized borrowings of a capital project, except for water and sewer projects which can be up to 100% of the authorized borrowings. All issues of debentures purchased by the Corporation must be approved by the Saskatchewan Municipal Board.

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

3. Investments in Municipal Debentures (continued)

The Corporation has an investment in 99 (1997 - 141) different debentures issued by 69 (1997 - 86) different issuers with a weighted average yield of 9.701% (1997 - 11.045%) and maturity dates ranging from 1999 through 2018.

The carrying amount invested by issuer category is as follows:

	<u>1998</u>	<u>1997</u>
	(thousands of dollars)	
Schools	\$ 12,928	\$ 23,485
Hospitals	311	419
Cities	23,840	16,073
Towns	3,991	3,635
Villages	<u>282</u>	<u>348</u>
	41,352	43,960
Receivable within one year	<u>9,779</u>	<u>13,837</u>
	<u>\$ 31,573</u>	<u>\$ 30,123</u>

The fair value of these debentures as determined by an independent appraiser is \$46,972 (1997 - \$49,647). This fair value is determined by discounting the future contractual cash flows under current financial arrangements, which represent investment rates presently available to the Corporation for investments with similar terms and remaining maturity, less costs of settlement.

4. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan. Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows:

	<u>1998</u>	<u>1997</u>
	(thousands of dollars)	
Interest on long-term debt	\$ 8,237	\$ 8,412
Administration expense	20	20

Other amounts due to related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

5. Long-term Debentures Payable

<u>Maturity Date</u>	<u>Rate (%)</u>	<u>1998</u>	<u>1997</u>
(thousands of dollars)			
Teachers Superannuation Fund			
June 17, 1999	12.000	\$ 1,000	\$ 1,000
Province of Saskatchewan - Municipal Employees Superannuation Fund			
June 17, 2000	12.000	500	500
Saskatchewan Telecommunication Superannuation Fund			
June 17, 2000	12.000	500	500
Roytor & Co.			
December 15, 2002	12.875	2,500	2,500
Province of Saskatchewan			
May 10, 2009*	10.170	24,053	24,053
June 5, 2009*	10.010	4,600	4,600
March 1, 2010*	9.780	10,855	10,855
April 2, 2010*	10.360	16,271	16,271
May 1, 2011*	9.810	<u>23,888</u>	<u>23,888</u>
		84,167	84,167
Repayment required within one year		<u>1,000</u>	<u>-</u>
Net long-term debentures payable		<u>\$ 83,167</u>	<u>\$ 84,167</u>

* Certain issues owing to the Province of Saskatchewan in the amount of \$79.667 million (1997 - \$79.667 million) are subject to redemption by the Province on six months notice.

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

5. Long-term Debentures Payable (continued)

Principal payments due on long-term debt for the next five years are as follows (in thousands of dollars):

1999	-	\$ 1,000
2000	-	\$ 1,000
2001	-	\$ -
2002	-	\$ 2,500
2003	-	\$ -

The fair value of long-term debentures payable, before the repayment required within one year, is \$115,786 (1997 - \$113,152) and is determined by discounting the future contractual cash flows under current financial arrangements, which represent borrowing rates presently available to the Corporation for debt with similar terms and remaining maturity, less costs of settlement.

6. Operations Budget

	Budget 1998
	(\$ 000's)
Revenue	
Investment income - municipal debentures	\$ 4,274
Investment income - short-term investments and cash balances	<u>3,139</u>
	<u>7,413</u>
Expenses	
Interest on long-term debt	8,559
Administration	<u>24</u>
	<u>8,583</u>
Net loss	<u>\$ (1,170)</u>

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN**NOTES TO FINANCIAL STATEMENTS****December 31, 1998****7. Uncertainty Due to The Year 2000 Issue**

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal business operations. While the Corporation has developed a plan to minimize any impact of the Year 2000 Issue on its business operations, it is not possible to be certain that all aspects of the issue affecting the Corporation, including those related to the efforts of investees, suppliers, or other third parties, will be fully resolved.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the New Careers Corporation as at March 31, 1999 and the statements of revenue, expenditures and accumulated surplus and changes in financial position for the year then ended. The Corporation's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
May 26, 1999

Wayne Strelieff
W. K. Strelieff, CA
Provincial Auditor

Statement 1

NEW CAREERS CORPORATION
Balance Sheet as at March 31

	<u>1999</u> (Note 3)	<u>1998</u>
ASSETS		
Current Assets:		
Cash	\$ 0	\$ 395,688
Due from General Revenue Fund (Note 10)	0	2,195,536
Accounts receivable - Other	<u>0</u>	<u>668,156</u>
Total Current Assets	0	3,259,380
Capital assets (Note 6)	<u>0</u>	<u>518,736</u>
Total Assets	<u>\$ 0</u>	<u>\$ 3,778,116</u>
LIABILITIES AND EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 0	\$ 938,145
Total Liabilities	<u>0</u>	<u>938,145</u>
Equity:		
Equity in capital assets	0	518,736
Accumulated operating surplus (Statement 2)	<u>0</u>	<u>2,321,235</u>
Total Equity	<u>0</u>	<u>2,839,971</u>
Total Liabilities and Equity	<u>\$ 0</u>	<u>\$ 3,778,116</u>

(See accompanying notes to the financial statements)

Statement 2

NEW CAREERS CORPORATION
Statement of Revenue, Expenditures and Accumulated Surplus
For the year ended March 31

	<u>1999</u>	<u>1999</u>	<u>1998</u>
Revenue:	Budget	Actual	Actual
	(Note 11)	(Note 3)	
Grants from General Revenue Fund:			
Department of Post Secondary Education & Skills Training	\$ 4,526,000	\$ 4,526,000	\$ 11,884,000
Department of Post Secondary Education & Skills Training			
Training Allowance	0	10,000	10,000
Contracts (Notes 2 and 8)	0	0	343,601
Investment Income	150,000	44,407	197,389
Miscellaneous	0	146,600	48,617
Total Revenue	<u>\$ 4,676,000</u>	<u>\$ 4,727,007</u>	<u>\$ 12,483,607</u>
Expenditures:			
Administration			
Salaries and benefits	\$ 146,000	\$ 167,996	\$ 746,187
Operating costs/WEP Winddown costs	218,000	296,345	487,387
	<u>364,000</u>	<u>464,341</u>	<u>1,233,574</u>
Training and Development (T&D)			
Salaries and benefits	851,000	895,686	3,092,359
Operating costs	142,000	137,360	919,727
Career Planning	0	0	17,025
Work Experience projects			
Training Employee wages & benefits	0	0	1,068,806
Materials & supplies	0	0	126,337
Equipment repair & overhaul	0	0	49,916
General project costs	0	0	1,608
Equipment rental	0	0	434
Equipment purchases	0	26,449	28,346
T&D delivered by other agencies (Note 5)			
Community Employment Program (1997-98 carryover)	0	726,885	4,045,950
Employment Programs			
Community Works	1,600,743	1,557,493	0
Work Placements	761,245	392,001	0
Bridging	691,020	939,357	0
Work Preparation program	446,992	1,097,607	797,713
Basic Skills Development Program	0	0	196,000
New Employment Pilot Program	0	195,095	205,035
Private Training Agencies	0	0	458,200
WEP Special Initiatives		307,562	0
JobStart			
Bridging	0	39,030	72,405
	<u>4,493,000</u>	<u>6,314,525</u>	<u>11,079,861</u>
Total Expenditures	<u>\$ 4,857,000</u>	<u>\$ 6,778,866</u>	<u>\$ 12,313,435</u>
Excess(deficiency)of revenue over expenditure - to Statement 3	(\$181,000)	(2,051,859)	170,172
Accumulated operating surplus, beginning of year		2,321,235	2,151,063
Net assets transferred to General Revenue Fund (Note 3)		<u>(269,376)</u>	<u>0</u>
Accumulated operating surplus, end of year - to Statement 1		<u>\$ 0</u>	<u>\$ 2,321,235</u>

Statement 3

NEW CAREERS CORPORATION
Statement of Changes in Financial Position
For the Year Ended March 31

	1999 (Note 3)	1998
Cash provided by (used in):		
Operating Activities		
Excess (deficiency) of revenue over expenditures (Statement 2)	\$ (2,051,859)	\$ 170,172
Add amounts spent on investment activities	26,449	28,346
Less proceeds from disposition of capital assets	-133,100	0
Net change in non-cash working capital balances related to operations (note 9)	-269,989	-2,472,863
Net cash provided by (used in) operating activities	<u>\$ (2,428,499)</u>	<u>\$ (2,274,345)</u>
Investment Activities		
Acquisition of equipment	-26,449	-28,346
Proceeds from disposition of capital assets	133,100	
Net cash provided by (used in) investment activities	<u>106,651</u>	<u>-28,346</u>
Transfers to General Revenue Fund (Note 3)		
Cash transferred to the GRF March 31, 1999	-145,421	0
Amount due from GRF transferred to GRF March 31, 1999	-101,210	
Net of account receivable and account payable balances transferred to GRF, March 31, 1999	-22,745	0
Net transfers to GRF	<u>-269,376</u>	<u>0</u>
Net change in cash resources during the year	-2,591,224	-2,302,691
Cash and amounts due from General Revenue Fund, beginning of year	<u>2,591,224</u>	<u>4,893,915</u>
Cash and amounts due from General Revenue Fund, end of year	<u>\$ 0</u>	<u>\$ 2,591,224</u>
Breakdown:		
Cash	\$ 0	\$ 395,688
Due from General Revenue Fund	<u>0</u>	<u>2,195,536</u>
	<u>\$ 0</u>	<u>\$ 2,591,224</u>

(See accompanying notes to the financial statements)

NEW CAREERS CORPORATION
Notes to the Financial Statements
For the Year Ended March 31, 1999

1. Status of the Corporation

The New Careers Corporation was established by Order-in-Council 598/84 on May 9, 1984, under the authority of Part I of *The Crown Corporations Act, 1978*. An amendment to the Corporation's powers and duties was made by Order in Council 448/92 on May 6, 1992.

Pursuant to section 16 of *The Crown Corporations Act, 1993* New Careers Corporation has been dissolved effective midnight March 31, 1999 by Order in Council 113/99.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The following principles are considered significant.

a) Contract Revenue Recognition

Revenue from contract work is recognized as the projects progress.

b) Capital Assets and Equity in Capital Assets

Expenditures for capital assets appear in the statement of revenue, expenditures and accumulated surplus. To maintain accountability, capital assets are recorded in the balance sheet as assets at cost with a corresponding entry in Equity in capital assets.

Capital assets and Equity in capital assets are reduced annually by an amount representing the amortization of the assets.

Amortization of capital assets is determined by using the straight-line method and the following estimated useful lives:

Facilities and motor vehicles	8 years
Construction and Heavy Equipment and Non-motorized vehicles	10 years
Furniture	10 years
Construction tools	7 years
Electronic Equipment	5 years
Software	3 years

3. Windup of Corporation

Order in Council 113/99 provides for the dissolution of New Careers Corporation effective March 31, 1999. The Corporation's assets have been transferred to the Province of Saskatchewan to the credit of the General Revenue Fund (Post Secondary Education and Skills Training); and, its liabilities and obligations have been assumed by the Province of Saskatchewan through the General Revenue Fund.

The following were transferred to the GRF on March 31, 1999:

Cash	\$ 145,421
Due from General Revenue Fund	101,210
Accounts Receivable	23,328
Capital assets	<u>219,751</u>
Total Assets transferred	<u>\$ 489,710</u>
Accounts Payable and accrued liabilities	(\$ 583)
Equity in fixed assets	<u>(219,751)</u>
Total Liabilities & equity transferred	<u>(\$ 220,334)</u>
Total net assets transferred	<u>\$ 269,376</u>

4. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows:

	1999	1998
Expenses	\$ 250,500	\$ 690,500
Accounts Payable	0	330,000

Other transactions with related parties are settled at prices agreed to by the parties. These transactions and amounts outstanding at year end, are as follows:

	1999	1998
Revenue	\$ 136,500	\$ 1,106,700
Expenses	1,882,300	908,700
Accounts Receivable	0	601,500
Accounts Payable	0	73,100

In addition, the Corporation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to (from) related parties and the terms of settlement are described separately in these financial statements and notes there to.

5. Training and Development Delivered by Other Agencies

The functions of the New Careers Employment Centres include the following programs delivered with the help of other agencies:

a) The Community Employment Program provides wage subsidies to community based organizations, regional parks, local governments and businesses creating employment and training opportunities for social assistance recipients. These projects must provide benefits to the community or groups within it and offer new positions which would not otherwise exist.

b) The Work Preparation Program funds various Work Preparation Centres which are non-government agencies that provide social assistance recipients with vocational assessments, longer term counselling, and a variety of development options to assist them in obtaining employment.

c) The New Employment Programs portfolio consists of three programs:

- The Community Works Program provides funding assistance to community based organizations and municipalities to hire eligible clients in job creation projects that provide a direct benefit or service to the local community. As at March 31, 1999 the Corporation was committed to expenditures totalling \$7,097, being the unexpended portion of approved Community Works projects.

- The Work Placement Program provides funding assistance to employers to hire eligible clients and provide on-the-job skills training that leads to on-going employment. As at March 31, 1999 the Corporation was committed to expenditures totalling \$54,245, being the unexpended portion of approved Work Placement projects.

- The Bridging Program provides funding to eligible applicants to develop and deliver programs that will link individuals to employment.

d) The Basic Skills Development Program provides life skills and pre-employment training to social assistance recipients. The program was combined with the Bridging Employment Program in April, 1999 administered by the Department of Post-Secondary Education and Skills Training.

e) The New Employment Pilot Program tests new approaches to employment programming through Bridging, Work Placement and Community Works.

f) New Careers administered several pilot programs through the provincial government's JobStart initiative. This program targets youth through Partnerships, Bridging and Job Creation.

6. Capital Assets

Capital assets are comprised of the following amounts:

	1999			1999	1998
	Cost	Accumulated Amortization	Net Book Value of Assets Transfer red	Net Book Value	Net Book Value
Electronic Equipment	\$ 858,816	\$ 683,875	\$174,941	\$ 0	\$ 350,206
Software	170,888	170,519	369	0	54,309
Facilities and Motor Vehicles	51,574	31,598	19,976	0	54,300
Construction and Heavy Equipment and Non-Motorized Vehicles	35,279	30,561	4,718	0	36,267
Construction Tools	13,397	11,712	1,685	0	3,046
Furniture	31,625	13,563	18,062	0	20,608
Total	\$1,161,579	\$ 941,828	\$219,751	\$ 0	\$518,736

Amortization for the year ended March 31, 1999 was \$200,429 (1998 - \$176,768).

7. Pension Plans (Related Parties)

The Corporation participates in defined contribution and defined benefit pension plans for the benefit of its employees. These plans are the Public Employees Pension Plan, Public Service Superannuation Plan and the Capital Pension Plan Inc. The Corporation's financial obligation to the plans is limited to making regular payments to match the amount contributed by the employees for current service. The Corporation's annual pension expense for 1999 amounted to \$ 66,387 (1998 - \$139,466).

8. Contract Revenue

Contract revenue consists of partial cost recoveries as agreed to in each contract where the Corporation has provided the materials or equipment for construction projects on behalf of the Work Experience Program sponsors. The Corporation discontinued the Program effective March 31, 1998 and recorded no revenue during the year.

9. Net Change in Non-Cash Working Capital Balances Related to Operations

	1999	1998
Decrease (increase) in accounts receivable funding	\$ 0	\$ 511,000
- Department of Social Services		
Decrease (increase) in accounts receivable - other	668,156	(349,484)
Increase (decrease) in accounts payable and accrued liabilities	(938,145)	(2,634,379)
	<u>\$ (269,989)</u>	<u>\$ (2,472,863)</u>

10. Due from General Revenue Fund

One of the Corporation's bank accounts is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. Earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Corporation's bank account using the Government's thirty day borrowing rate and the Corporation's average daily bank account balance.

11. Budget

The Corporation's budget is approved by the Corporation's Board of Directors.

The Corporation incurs recoverable costs for items such as materials and supplies on behalf of Work Experience Program sponsors. The Corporation does not budget for these costs nor their recoveries.

12. Financial Instruments

Financial instruments consist of:

Due from General Revenue Fund
Accounts receivable
Accounts payable and accrued liabilities

a) Significant Terms and Conditions

There are no significant terms and conditions related to financial instruments that affect the amount timing and certainty of future cash flows.

b) Credit Risk

The Corporation is exposed to credit risk from the potential non-payment of accounts receivable. The majority of the Corporation's receivables are from related parties (other government agencies). Therefore, credit risk is minimal.

c) Fair Value

The carrying amounts of the financial instruments approximate fair value due to their immediate or short-term nature.

**PARTNERS**

William L. Hill, CMA, CA
Douglas A. McKillop, CMA, CA

SENIOR ASSOCIATE

H. Robert Arscott, FCA

ASSOCIATES

Carlene M. Watson, CA
Sheila R. Erickson, CA
Dorica M. Smart, CA

AUDITOR'S REPORT

To the Members of the Legislative Assembly,
Province of Saskatchewan
Regina, Saskatchewan

We have audited the balance sheet of Saskatchewan Communications Network Corporation as at 31 March 1999, and the statements of revenue, expenditures and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 1999, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

23 April 1999
Regina, Saskatchewan

Hill McKillop
Chartered Accountants

SASKATCHEWAN COMMUNICATIONS NETWORK CORPORATION**BALANCE SHEET****AS AT MARCH 31, 1999**

	1999 \$	1998 \$
ASSETS		
Current Assets		
Cash and short-term investments	2,508,117	1,665,643
Accounts receivable and accrued interest (note 9)	241,412	234,499
Inventory and prepaid expenses	<u>103,679</u>	<u>111,929</u>
	2,853,208	2,012,071
Capital Assets (note 3)	<u>939,084</u>	<u>1,275,003</u>
	<u><u>3,792,292</u></u>	<u><u>3,287,074</u></u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (note 9)	1,353,184	1,242,082
Funds under administration (note 4)	74,063	124,575
Unearned revenue	<u>722,412</u>	<u>177,778</u>
	<u>2,149,659</u>	<u>1,544,435</u>
EQUITY		
Equity in capital assets (note 5)	939,084	1,275,003
Appropriated retained earnings - capital reserve (note 6)	150,000	0
Unappropriated retained earnings	<u>553,549</u>	<u>467,636</u>
	<u>1,642,633</u>	<u>1,742,639</u>
	<u><u>3,792,292</u></u>	<u><u>3,287,074</u></u>
Commitments (note 7)		

SIGNED ON BEHALF OF THE BOARD

_____, Director

_____, Director

see accompanying Notes to the Financial Statements

SASKATCHEWAN COMMUNICATIONS NETWORK CORPORATION**STATEMENT OF REVENUE, EXPENDITURES AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1999**

	1999 \$	1998 \$
REVENUE		
Grant from the Government of Saskatchewan - General Revenue Fund	7,305,000	7,282,000
Interest	121,159	68,790
Satellite conferencing and channel rentals	173,938	136,223
Project administration	21,107	27,700
Miscellaneous	40,849	1,744
Transponder lease	<u>533,333</u>	<u>355,555</u>
	<u>8,195,386</u>	<u>7,872,012</u>
EXPENDITURES		
Administration (note 12)	810,377	708,359
Program support	522,416	473,669
Program development and production costs	864,981	853,791
Program acquisition costs	2,052,786	1,866,905
Network distribution (note 12)	<u>4,044,832</u>	<u>3,997,119</u>
	<u>8,295,392</u>	<u>7,899,843</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES FOR THE YEAR	(100,006)	(27,831)
UNAPPROPRIATED RETAINED EARNINGS - BEGINNING OF YEAR	467,636	493,580
Allocation (to)/from equity in capital assets (note 5)	335,919	1,887
Appropriation (to)/from Capital Reserve (note 6)	<u>(150,000)</u>	<u>0</u>
UNAPPROPRIATED RETAINED EARNINGS - END OF YEAR	<u>553,549</u>	<u>467,636</u>

see accompanying Notes to the Financial Statements

SASKATCHEWAN COMMUNICATIONS NETWORK CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1999

	1999 \$	1998 \$
OPERATING ACTIVITIES		
Excess (Deficit) of revenue over expenditures for the year	(100,006)	(27,831)
Item not affecting cash - Depreciation (note 12)	437,627	407,002
Net increase/(decrease) in non-cash working capital balances related to operations	<u>606,561</u>	<u>185,617</u>
	944,182	564,788
INVESTING ACTIVITIES		
Purchase of capital assets (net of disposals)	<u>(101,708)</u>	<u>(405,115)</u>
Increase (decrease) in cash and cash equivalents	842,474	159,673
CASH AND CASH EQUIVALENTS- BEGINNING OF YEAR	<u>1,665,643</u>	<u>1,505,970</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>2,508,117</u>	<u>1,665,643</u>
Cash and cash equivalents consist of:		
Short-term investments	1,585,656	1,290,911
Bank balances	1,182,076	742,982
Less outstanding cheques	<u>(259,615)</u>	<u>(368,250)</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>2,508,117</u>	<u>1,665,643</u>

see accompanying Notes to the Financial Statements

SASKATCHEWAN COMMUNICATIONS NETWORK CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1999

1. STATUS OF CORPORATION

Saskatchewan Communications Advanced Network Authority (SCAN) was established by an order-in-council January 11, 1989 under the Crown Corporations Act, 1978. SCAN was continued as Saskatchewan Communications Network Corporation (SCN) under the Communications Network Corporation Act, 1990.

The Corporation operates a training network, which electronically links communities throughout Saskatchewan, and a cable network, which began broadcasting on May 6, 1991 under licence from the Canadian Radio-television and Telecommunications Commission (CRTC). The current licence expires on August 31, 1999. SCN has completed and submitted all required documentation to support its request for a seven-year licence renewal.

2. SIGNIFICANT ACCOUNTING POLICIES

a) *Short-term investments*

Short term investments are recorded at cost, which approximates market value.

b) *Inventory*

Inventory, consisting of blank video tapes, is recorded at the lower of cost, determined on a first-in, first-out basis, and net realizable value. Inventory, consisting of receivers, is recorded at the lower of cost, determined on a weighted average basis, and net realizable value.

c) *Capital assets*

Capital assets are recorded at cost less accumulated depreciation. With the exception of the digital video compression equipment (DVC) and network alignment, depreciation is calculated using the declining balance method as follows:

Office equipment and furniture	30%
Uplink development, network configuration and multiplexing system	30%
Computer hardware	40%
TVs, VCRs, satellite dish and video equipment receivers	40%
Fax machines and audio conferencing units	50%
Computer software	60%
Digital video compression equipment	Straight Line over 5 years
Network alignment	Straight Line over 3 years

d) *Transponder lease*

The Corporation has entered into a three-year sublease of transponder space on a satellite. The lessee has assumed payment direct to the satellite space provider and has provided the Corporation with a premium on the sub-lease which is recorded as revenue for the period in which it is earned. All costs associated with providing the sub-lease have been capitalized as network alignment costs and are amortized over the term of the lease.

SASKATCHEWAN COMMUNICATIONS NETWORK CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 1999

e) *Revenue recognition*

Government contributions are recognized as revenue in the fiscal year in which they are due to the Corporation.

Other revenues are recognized when the related service is provided.

f) *Program acquisition and production*

Program acquisition and production costs are expensed as incurred.

3. CAPITAL ASSETS

The components of the capital assets as well as the related accumulated depreciation are as follows:

	1999			1998
	<i>Cost</i>	<i>Accumulated</i>	<i>Net</i>	<i>Net</i>
	<i>\$</i>	<i>Depreciation</i>	<i>Book value</i>	<i>Book value</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Office equipment and furniture	148,733	133,969	14,764	13,569
Uplink development and network configuration	1,157,962	1,107,785	50,177	71,681
Computer hardware	279,052	249,776	29,276	21,344
TVs', VCR, cameras and satellite receivers	472,376	428,481	43,895	36,717
Fax machines and conferencing units	30,346	28,638	1,708	548
Computer software	135,606	123,972	11,634	1,658
Digital video compression equipment	1,487,383	752,279	735,104	1,037,566
Network Alignment	118,184	65,658	52,526	91,920
	<u>3,829,642</u>	<u>2,890,558</u>	<u>939,084</u>	<u>1,275,003</u>

4. FUNDS UNDER ADMINISTRATION

The Corporation administers funds on behalf of related parties, in accordance with the terms of contracts between the Corporation and the related parties.

5. EQUITY IN CAPITAL ASSETS

	1999	1998
	<i>\$</i>	<i>\$</i>
Balance - beginning of year	1,275,003	1,276,890
Allocation (to)/from retained earnings	<u>(335,919)</u>	<u>(1,887)</u>
Balance - end of year	<u>939,084</u>	<u>1,275,003</u>

SASKATCHEWAN COMMUNICATIONS NETWORK CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1999

6. CAPITAL RESERVE

The Board of Directors has approved the appropriation of \$150,000 of retained earnings. The reserve has been established to provide for the replacement and upgrading of SCN's technical equipment. Amounts may be transferred from the reserve on the authority of the Board of Directors.

7. COMMITMENTS

a) *Productions*

At March 31, 1999 the Corporation had commitments totaling \$34,500 (1998 - \$68,690) representing the estimated costs to complete productions in progress.

b) *Broadcast and duplication rights*

At March 31, 1999 the Corporation had commitments totaling \$1,290,780 (1998 - \$777,900) for the acquisition of broadcast and duplication rights.

c) *Full-time satellite transponder*

The Corporation has a contract for a full-time KuBand satellite transponder. The contract cost for 1999-2000 is \$1,466,033 (1998-99 \$1,466,033). The contract is extended annually with periodic adjustments in cost approved by the Canadian Radio-television and Telecommunications Commission.

d) *Head end contract*

The Corporation has a contract with the University of Saskatchewan, a related party, for the operation of SCN's master control, tape duplication, packaging and promotional productions and uplinking. The contract cost for 1999-2000 is approximately \$806,358 (1998-99 \$806,358) plus a yearly increase for inflation. The contract extends to March 31, 2000.

e) *Multiplexer and uplink contracts*

The Corporation has contracts with SaskTel, a related party, for a ten-year period ending September, 2000 for multiplexer and uplink services with a minimum annual fee of \$130,000.

8. RELATED PARTY TRANSACTIONS

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the government.

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which SCN is related. The more significant of these are Saskatchewan Post-Secondary Education and Skills Training, SaskTel, the universities, SIAST, and the regional colleges. Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms.

The following table summarizes SCN's major related party transactions that are in the normal course of operations. These transactions are recorded at exchange amounts agreed to by the related parties.

<u>Revenues</u>	1999 \$	1998 \$
- Saskatchewan Social Services for satellite conferences	36,166	4,185
- Saskatchewan Health for satellite conferences	20,276	19,882
- SIAST for studio use	26,723	10,537

SASKATCHEWAN COMMUNICATIONS NETWORK CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1999

	1999 \$	1998 \$
<u>Expenditures</u>		
<u>Administration</u>		
- SPMC for accommodation expense	91,078	82,635
- Sask Tel for telephone operating costs	32,266	27,304
Program development - Universities, SIAST	660,000	660,000
<u>Network distribution</u>		
- Regional Colleges/SIAST for operation of Training Network sites	874,500	860,286
- SaskTel for video and audio signal transport services, and telephone operating costs	167,085	216,681
<u>Accounts Receivable at March 31, 1999</u>		
SaskTel for purchase of equipment and channel rent	129,845	155,482
<u>Accounts Payable at March 31, 1999</u>		
SaskTel for backhaul, uplink, multiplex and telephone charges	211,750	158,694

Other transactions with related parties, including their terms of settlement, are described separately in the financial statements and notes therein.

9. FINANCIAL INSTRUMENTS

The Corporation's recognized financial instruments consist of accounts receivable, accounts payable and short-term investments. The Corporation does not have any financial assets or financial liabilities which are not recognized in the financial statements.

Credit risk

The Corporation is exposed to credit risk from the potential default of customers. However, the majority of the Corporation's receivables are from related parties, other government corporations and agencies. Therefore the credit risk is minimal.

Fair values

The fair values of accounts receivable and all accounts payable approximate their carrying value due to the short-term nature of these instruments.

10. COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 1998 balances have been reclassified to conform with the 1999 financial statement presentation.

SASKATCHEWAN COMMUNICATIONS NETWORK CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1999

11. YEAR 2000 ISSUES

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Data-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000 and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the organization's ability to conduct normal business operations. Management has prepared a Year 2000 compliance plan which attempts to address all areas of significant risk. Areas which require attention have been identified, and resolved at the time these financial statements were prepared however, it is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of consumers, suppliers, or other third parties, will be fully resolved.

12. COMPARISON OF PLANNED AND ACTUAL RESULTS OF EXPENDITURES

	1999		1998
	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
	\$	\$	\$
Administration	764,697	738,850	657,188
Program support	516,747	522,416	473,669
Program development and production costs	1,275,000	864,981	853,791
Program acquisition costs	1,638,820	2,052,786	1,866,905
Network distribution	3,915,169	3,678,732	3,641,288
Administration - depreciation	—	71,527	51,171
Network distribution - depreciation	—	366,100	355,831
Total	<u>8,110,433</u>	<u>8,295,392</u>	<u>7,899,843</u>
	1999		1998
<i>Capital Expenditures</i>	<i>Budget</i>	<i>Actual</i>	<i>Actual</i>
	\$	\$	\$
Administration (Net of disposal)	63,000	40,350	150,855
Network distribution (Net of disposal)	<u>49,000</u>	<u>61,359</u>	<u>254,260</u>
Total	<u>112,000</u>	<u>101,709</u>	<u>405,115</u>

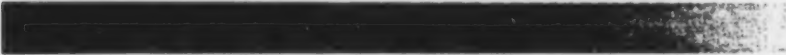
SASKATCHEWAN COMMUNICATIONS NETWORK CORPORATION

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 1999

13. CLASSIFICATION OF EXPENDITURES BY OBJECT

	1999	1998
	\$	\$
Salaries (including benefits)	1,186,576	993,017
Communications	208,838	167,064
Administration - Operations	419,422	368,152
Programming - General	1,556,129	1,346,082
Programming - Educational	937,500	910,457
Other production and acquisition costs	424,138	464,157
Carriage	2,161,662	2,292,904
Regional college operational grants	874,500	860,286
Network operations	<u>526,627</u>	<u>497,724</u>
Total	<u><u>8,295,392</u></u>	<u><u>7,899,843</u></u>

Auditors' Report



To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the balance sheet of Saskatchewan Crop Insurance Corporation as at March 31, 1999 and the statements of operations and fund balances and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year ended in accordance with generally accepted accounting principles.

KPMG

Chartered Accountants

Regina, Canada
May 20, 1999

Balance Sheet

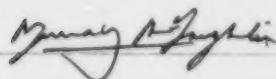
March 31, 1999 with comparative figures for 1998

	1999	1998
	(Restated Note 3)	
Assets		
Cash	\$ —	\$ 2,948,045
Investment (note 5)	6,394,268	2,697,517
Due from the Province of Saskatchewan		
General Revenue Fund (note 4)	166,407,159	150,957,832
Accrued interest and other receivables	2,263,894	1,484,677
Premium and other program receivables	19,300,698	20,163,852
Due from Crop Reinsurance Fund of Canada for Saskatchewan	436,137	436,137
Prepaid expenses	42,885	—
Capital assets (note 6)	3,455,220	3,576,543
	<u>\$ 198,300,261</u>	<u>\$ 182,264,603</u>
Liabilities and Fund Balances		
Bank indebtedness	\$ 164,699	\$ —
Accounts payable and accrued liabilities	\$ 2,907,442	\$ 2,272,440
Estimated indemnities payable	412,870	283,759
Reinsurance premium payable to		
Crop Reinsurance Fund of Saskatchewan	2,255,442	37,727,138
Due to Crop Reinsurance Fund of Saskatchewan	—	18,640,283
	<u>5,740,453</u>	<u>58,923,620</u>
Fund balances		
Crop Insurance Fund	185,106,702	115,766,554
Administration Fund	7,453,106	7,574,429
	<u>192,559,808</u>	<u>123,340,893</u>
	<u>\$ 198,300,261</u>	<u>\$ 182,264,603</u>

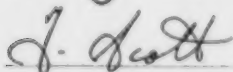
Commitments and contingencies (note 9).

See accompanying schedules and notes to financial statements.

On behalf of the Board:



Chairperson



Vice-Chairperson

Statement of Operations

March 31, 1999 with comparative figures for 1998

	1999	1998
	(Restated Note 3)	
Revenue		
Premium contributions		
Producers	\$ 76,152,875	\$ 82,435,622
Government of Saskatchewan	58,004,547	51,570,406
Government of Canada	<u>58,004,547</u>	<u>51,570,406</u>
	<u>192,161,969</u>	<u>185,576,434</u>
Less reinsurance premiums ceded		
Crop Reinsurance Fund of Canada for Saskatchewan	17,541,505	30,637,759
Crop Reinsurance Fund of Saskatchewan (note 1)	<u>20,590,252</u>	<u>34,341,160</u>
	<u>38,131,757</u>	<u>64,978,919</u>
Net premiums	154,030,212	120,597,515
Interest income	<u>10,319,764</u>	<u>5,821,496</u>
	<u>164,349,976</u>	<u>126,419,011</u>
Expenses		
Indemnities	91,747,709	76,099,654
Bad Debts	<u>3,262,119</u>	<u>1,444,280</u>
	<u>95,009,828</u>	<u>77,543,934</u>
Excess of revenue over expenses		
before the net general administration:	69,340,148	48,875,077
Net General Administration (schedule 1)	<u>(121,323)</u>	<u>1,735,114</u>
Excess of revenue over expenditures	<u>\$ 69,218,825</u>	<u>\$ 50,610,191</u>

Statement of Changes in Fund Balances

Year Ended March 31, 1999 with comparative figures for 1998

	1999			1998
	Insurance	Administration	Total	Total
	(Restated Note 3)			
Fund balance, beginning of year	\$ 115,766,554	\$ 7,574,429	\$ 123,340,983	\$ 72,730,792
Excess of revenue over expenses	<u>69,340,148</u>	<u>(121,323)</u>	<u>69,218,825</u>	<u>50,610,191</u>
Fund balances, end of year	<u>\$ 185,106,702</u>	<u>\$ 7,453,106</u>	<u>\$ 192,559,808</u>	<u>\$ 123,340,983</u>

See accompanying schedules and notes to financial statements.

Statement of Changes in Financial Position

March 31, 1999 with comparative figures for 1998

	1999	1998
	(Restated Note 3)	
Cash Provided by (Used In):		
Operating		
Excess of revenue over expenditures	\$ 69,218,825	\$ 50,610,191
Item not affecting cash:		
Amortization	1,398,140	1,282,966
Change in non-cash operating items:		
Accrued interest and other receivables	(779,217)	(787,960)
Premium and other program receivables	863,154	11,473,391
Prepaid Expenses	(42,885)	—
Accounts payable and accrued liabilities	635,002	(927,912)
Estimated indemnities payable	129,111	(15,648,700)
Reinsurance premium payable to	(35,471,696)	34,341,159
Crop Reinsurance Fund of Saskatchewan		
Due to Crop Reinsurance Fund of Saskatchewan	(18,640,283)	—
	17,310,151	80,343,135
Investing		
Purchase of capital assets	(1,276,817)	(960,016)
Increase in cash	16,033,334	79,383,119
Cash, beginning of year	156,603,394	77,220,275
Cash, end of year	<u>\$172,636,728</u>	<u>\$156,603,394</u>
 Cash is represented by:		
Cash (Bank indebtedness)	\$ (164,699)	\$ 2,948,045
Investments	6,394,268	2,697,517
Due from Province of Saskatchewan General		
Revenue Fund	166,407,159	150,957,832
Cash, end of year	<u>\$172,636,728</u>	<u>\$156,603,394</u>

See accompanying schedules and notes to financial statements.

Schedule 1**Administration Fund Revenue, Expenditures and Fund Balance***Year Ended March 31, 1999 with comparative figures for 1998*

	1999	1998
Revenue		
Province of Saskatchewan General Revenue Fund		
Net Operating Grant (note 7)	\$ 23,526,000	\$ 23,409,000
Assignment fees	53,750	47,100
Interest on investments	401,612	331,881
Miscellaneous	238,036	266,232
	<u>\$ 24,219,398</u>	<u>\$ 24,054,213</u>
Expenditures		
Advertising	660,730	606,297
Amortization	1,398,140	1,282,966
Appeal Panel and Board of Directors meetings	84,798	59,975
Building repairs and maintenance	26,242	5,739
Computer and analyst services	1,327,741	1,112,766
Computer hardware and software	9,084	19,600
Crop and production reports	68,480	42,465
Employee benefits	2,022,290	1,885,736
Freight and courier	17,998	16,002
Grain grading	14,993	14,622
Office and field equipment	108,239	82,292
Office rental	918,653	915,882
Office supplies	134,340	130,348
Other	60,762	59,940
Postage	376,806	320,033
Printing and duplicating	317,415	290,062
Professional fees	1,444,021	1,265,756
Salaries	11,986,980	11,028,834
Telephone	445,634	447,187
Travel and sustenance	2,890,731	2,732,597
	<u>24,314,077</u>	<u>22,319,099</u>
Net general administration before unexpected net operating grant repaid	(94,679)	1,735,114
Unexpected net operating grant repaid (note 7)	(26,644)	—
Net general admission	<u>\$ (121,323)</u>	<u>\$ 1,735,114</u>

See accompanying notes to financial statements.

Notes to Financial Statements

of the Saskatchewan Crop Insurance Corporation

March 31, 1999

1. Status of the corporation:

The Saskatchewan Crop Insurance Corporation (the Corporation), a provincial Treasury Board crown corporation, was established under *The Crown Corporations Act* and is continued under *The Crop Insurance Act*.

The Corporation administers the federal/provincial Crop Insurance program. In addition, on behalf of the Saskatchewan Agricultural Stabilization Fund, the Corporation administers the Waterfowl Crop Damage Compensation, New Crops Insurance and Big Game Crop Damage Compensation programs. The financial results of the Saskatchewan Agricultural Stabilization Fund are reported separately.

The Canada-Saskatchewan Crop Insurance Agreement requires that reinsurance funds be established by the Government of Canada and the Government of Saskatchewan. These reinsurance funds receive reinsurance premiums from the Corporation and, under certain circumstances, pay reinsurance benefits to the Corporation.

The Crop Reinsurance Fund of Saskatchewan is administered by the Corporation. The operations, assets and liabilities of this reinsurance fund are shown in separate financial statements as required by the Canada-Saskatchewan Crop Insurance Agreement.

As a crown entity, the Corporation is not subject to federal or provincial income tax, or federal goods and services tax.

2. Significant accounting policies:

These financial statements have been prepared in accordance with generally accepted accounting principles.

Capital assets:

Capital assets are capitalized and amortized over their useful lives. They are recorded on the balance sheet at their net book value.

Amortization is charged against operations, and is provided on a straight line basis over the estimated useful lives of the assets with half the normal amortization taken in the year of purchase. The rates of amortization are:

Equipment	20%
Computer equipment	20%
Leasehold improvements	20%

Fund Accounting:

The Corporation has established two funds, the crop insurance fund and the administration fund. The crop insurance fund contains the federal/provincial crop insurance program and the administration fund contains the Corporation's administration expenses along with its net operating grant from the Province of Saskatchewan General Revenue Fund and other revenue related to its administration activities. For financial reporting purposes, the balance sheet and statement of operations combines these two funds.

Investments:

Investments are recorded at cost less any writedown required to reflect a permanent impaired value.

Measurement uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ materially from those estimated.

Premium revenue recognition:

Crop insurance is a cost-shared program. Premium payments are cost-shared as follows:

Year	Producers %	Federal Gov't %	Provincial Gov't %
1998-99			
Base (50%) coverage	20	40	40
Buyup (60-80%) coverage	50	25	25
1997-98			
Base (50%) coverage	20	40	40
Buyup (60-80%) coverage	60	20	20

Premiums, including the producer and federal and provincial governments' shares, are recognized as income when invoiced to producers.

Effective April 1, 1998, the financial statements for the New Crops Insurance, Big Game Crop Damage Compensation and Waterfowl Crop Damage Compensation programs, administered by the Corporation, are included in the financial statements of the Saskatchewan Agricultural Stabilization Fund. Previously they were included in the Corporation's financial statements.

This has been accounted for as a depooling of operations and the prior years' results of these programs have been removed from the Corporation's financial statements. The effect of this was to remove \$19,047,539 of assets, \$561 of liabilities, and \$19,046,978 of fund balances as at April 1, 1998 and \$13,153,818 of excess revenue over expenses for the year ended March 31, 1999.

The Corporation's insurance fund bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of the Province of Saskatchewan.

Interest is earned on these funds at the government's thirty day borrowing rate, and is based on the Corporation's average daily account balance. Interest is paid by the Province of Saskatchewan General Revenue Fund to the Corporation on a quarterly basis.

The Corporation's investments are in term deposits maturing April 1, 1999 with an average effective interest rate of 5.08 per cent (1988–April 2, 1998, 4.8 per cent respectively).

	Cost	Accumulated Amortization	1998 Net Book Value	1997 Net Book Value
Equipment	\$ 1,669,686	\$ 1,333,019	\$ 336,667	\$ 198,889
Leasehold improvements	211,655	21,165	190,490	—
Computer equipment	12,065,307	9,137,244	2,928,063	3,377,654
	\$13,946,648	\$10,491,428	\$3,455,220	\$3,576,543

Under the terms of federal-provincial agreements, eligible administration revenue and expenditures are shared on a 50 per cent - 50 per cent basis. Government of Canada contributions are paid to the Government of the Province of Saskatchewan General Revenue Fund, which remits them to the Corporation.

To the extent this funding was not required to pay administration fund expenditures in 1998-1999, it was repaid to the General Revenue Fund and shown as unexpected net operating grant repaid.

8. Related party transactions:

Included in these financial statements are transactions with various Saskatchewan crown corporations, departments and agencies related to the Corporation by virtue of common control exercised by the Government of the Province of Saskatchewan.

Routine operating transactions with related parties are measured at prevailing market prices under normal trade terms. These financial statements include the following balances from and transactions with related parties:

	1998	1997
Accounts payable	\$717,727	\$342,449
Net general administration	4,430,665	3,833,550

Other related party transactions are disclosed elsewhere in these financial statements.

9. Commitments and contingencies:

Commitments:

The Corporation is committed to the Saskatchewan Property Management Corporation, a related crown entity, for several leases for office space with annual payments of \$913,303. The leases are currently renewable on an annual basis.

Contingencies:

Pursuant to the *The Canada-Saskatchewan Crop Insurance Agreement*, in the event the agreement is terminated and no new agreement is entered into, all capital assets funded by the agreement shall be disposed of and the proceeds shall be shared equally by the Government of the Province of Saskatchewan and the Government of Canada. As

of March 31, 1999, all capital assets owned by the Corporation had been funded by this agreement.

Various legal actions for additional crop insurance indemnity payments have been initiated against the Corporation. Presently, the Corporation is actively defending these cases. While the outcome of these claims cannot be determined, management is of the opinion that the result of these actions will not have a material impact on the Corporation's financial position.

Legal actions against the Corporation and the Government of the Province of Saskatchewan for breach of contract with respect to the change from the 1991 GRIP Program to the 1992 Revenue Insurance Program were decided in favour of the Corporation and the government by the Saskatchewan Court of Queens Bench and Court of Appeal. The institution of *The Farm Income Legislation Amendment Act 1992* effectively extinguished any cause of action. The plaintiff's 90 day period to apply for leave to appeal to the Supreme Court of Canada had not expired at the time of this report.

10. Planned results:

	Budgeted 1998-99 (\$000)	Actual 1998-99 (\$000)	Actual 1997-98 (\$000) (Restated)
Administration expenditures	25,600	24,314	22,319
Crop insurance premiums*	69,200	58,005	51,570
Financing costs - operating	1,500	—	—

* Provincial share of premiums

11. Fair value of financial assets and financial liabilities:

The carrying amounts of the following financial assets and financial liabilities approximate fair value due to their short term nature:

- Investments
- Due from the Province of Saskatchewan General Revenue Fund
- Accrued interest and other receivables
- Premium and other program receivables
- Due to/from the reinsurance funds
- Bank indebtedness
- Accounts payable and accrued liabilities
- Estimated indemnities payable.

12. Year 2000

The year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize that year 2000 is 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of the suppliers, or other third parties, will be fully resolved.

AUDITOR'S REPORT

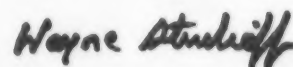
To the Members of the Legislative Assembly of Saskatchewan

I have audited the consolidated statement of financial position of the Saskatchewan Gaming Corporation as at March 31, 1999 and the consolidated statements of operations, and cash flows for the year then ended. The Saskatchewan Gaming Corporation's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Saskatchewan Gaming Corporation as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
April 28, 1999



Wayne Strelieff, CA
Provincial Auditor

Statement 1

SASKATCHEWAN GAMING CORPORATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31

	<u>1999</u>	<u>1998</u>
ASSETS		
Current assets:		
Cash	\$ 13,297,551	\$ 10,773,212
Prepaid expenses	427,496	352,251
Inventory	185,595	263,204
Accounts receivable	<u>49,736</u>	<u>205,083</u>
	13,960,378	11,593,750
Deferred charges (Note 3)	827,430	1,278,755
Capital assets (Note 4)	<u>31,022,343</u>	<u>32,549,091</u>
Total Assets	<u>\$ 45,810,151</u>	<u>\$ 45,421,596</u>

LIABILITIES AND RETAINED EARNINGS

Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,649,127	\$ 2,753,678
Current portion of long-term debt (Note 5)	<u>3,651,613</u>	<u>3,362,900</u>
	6,300,740	6,116,578
Due to General Revenue Fund (Note 1)	15,450,698	11,594,691
Long-term debt (Note 5)	24,058,713	27,710,327
Retained earnings (Statement 2)	<u>---</u>	<u>---</u>
Total Liabilities and Retained Earnings	<u>\$ 45,810,151</u>	<u>\$ 45,421,596</u>
Commitments and contingencies (Note 6 & 14)		

(See accompanying notes to the financial statements)

Statement 2

SASKATCHEWAN GAMING CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31

	1999		1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenue:			
Slot machines	\$ 37,400,000	\$ 35,468,940	\$ 34,849,564
Table games	9,026,014	9,764,285	8,948,023
Other revenue (Note 7)	<u>2,790,000</u>	<u>3,479,882</u>	<u>2,397,283</u>
	49,216,014	48,713,107	46,194,870
Less promotional allowances (Note 8)	<u>2,751,000</u>	<u>1,080,228</u>	<u>3,178,558</u>
	<u>46,465,014</u>	<u>47,632,879</u>	<u>43,016,312</u>
Expenses (Note 9):			
Casino and administration	18,363,636	17,120,770	16,021,083
Contractual obligation (Note 6 b)	2,745,000	2,745,000	3,260,000
Ancillary services (Note 7)	<u>2,900,000</u>	<u>2,580,196</u>	<u>1,749,127</u>
	<u>24,008,636</u>	<u>22,445,966</u>	<u>21,030,210</u>
Earnings before the following	22,456,378	25,186,913	21,986,102
Amortization and asset write-downs	4,052,000	3,613,624	3,658,992
Interest	2,630,836	2,633,149	2,897,525
Taxes (Note 10)	2,519,333	2,199,831	2,282,360
Consulting (Note 6 a)	<u>1,442,716</u>	<u>1,289,611</u>	<u>1,552,534</u>
	<u>10,644,885</u>	<u>9,736,215</u>	<u>10,391,411</u>
Net income	11,811,493	15,450,698	11,594,691
Retained earnings, beginning of the year	---	---	---
Due to General Revenue Fund (Note 1)	<u>11,811,493</u>	<u>15,450,698</u>	<u>11,594,691</u>
Retained earnings, end of the year			
- to Statement 1	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

(See accompanying notes to the financial statements)

Statement 3

SASKATCHEWAN GAMING CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31

	<u>1999</u>	<u>1998</u>
Cash flow from operating activities:		
Net income	\$ 15,450,698	\$ 11,594,691
Items not involving cash:		
Amortization of capital assets	3,406,378	3,394,775
Amortization of deferred charges	451,325	451,326
Write-down of assets	207,246	264,218
Changes in non-cash working capital balances:		
Accounts receivable	155,347	1,936,946
Prepaid expenses	(75,245)	(198,698)
Inventories	77,609	(210,733)
Accounts payable and accrued liabilities	<u>(104,551)</u>	<u>(960,155)</u>
	<u>19,568,807</u>	<u>16,272,370</u>
Cash flow from investing activities:		
Proceeds from sale of capital assets	98,538	30,603
Additions to capital assets	<u>(2,185,414)</u>	<u>(1,519,101)</u>
	<u>(2,086,876)</u>	<u>(1,488,498)</u>
Cash flow from financing activities:		
Payment to General Revenue Fund	(11,594,691)	(5,450,695)
Repayment of debt	<u>(3,362,901)</u>	<u>(3,097,124)</u>
	<u>(14,957,592)</u>	<u>(8,547,819)</u>
Net increase in cash	2,524,339	6,236,053
Cash, beginning of the year	<u>10,773,212</u>	<u>4,537,159</u>
Cash, end of the year	<u>\$ 13,297,551</u>	<u>\$ 10,773,212</u>

(See accompanying notes to the financial statements)

SASKATCHEWAN GAMING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Description of Business

The Saskatchewan Gaming Corporation (SGC) manages and operates Casino Regina. The SGC was established as a Treasury Board Crown Corporation under *The Saskatchewan Gaming Corporation Act, 1994 (Act)*. Under Section 13 of the Act, SGC, unless directed otherwise by Treasury Board, shall pay its net profits for each fiscal year to the General Revenue Fund.

SGC was established to provide for separation of regulatory and operational aspects of gaming. SGC must operate in accordance with statutory provisions established under Section 207 of the *Criminal Code of Canada* and *The Alcohol and Gaming Regulation Act, 1993*. Regulation of its operations is controlled by the separately constituted Saskatchewan Liquor and Gaming Authority.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant policies which have been adopted are described below.

a) Basis of Consolidation

The consolidated financial statements combine the accounts of Saskatchewan Gaming Corporation and its wholly-owned subsidiary, SGC Holdings Inc.

b) Gaming Revenue

Gaming revenue represents the net win from gaming activities, which is the difference between the amounts wagered and pay-outs by the casino.

c) Inventory

Inventory is stated at the lower of cost and net realizable value.

d) Capital Assets

Capital assets are stated at cost less accumulated amortization. Assets are amortized using the straight-line method over their useful lives as follows:

Building and renovations	Five to forty years
Gaming equipment	Three to five years
Computer equipment	Three to five years
Furniture and equipment	Three to five years

3. Deferred Charges

In 1995, SGC purchased a five-year non-exclusive licence to use Holland Casinos' "know-how" and proprietary software. The total cost of this license is being amortized to consulting expense over a five-year period. Amortization of deferred charges during the year amounted to \$451,325 (1998 - \$451,326).

4. Capital Assets

		1999		1998
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Building and renovations	\$ 22,711,298	\$ 1,830,266	\$ 20,881,032	\$ 21,493,692
Gaming equipment	10,545,443	5,783,820	4,761,623	5,749,911
Land	3,408,000	—	3,408,000	3,408,000
Computer equipment	2,331,408	1,480,285	851,123	1,014,016
Furniture and equipment	2,015,587	895,022	1,120,565	883,472
Total	<u>\$ 41,011,736</u>	<u>\$ 9,989,393</u>	<u>\$ 31,022,343</u>	<u>\$ 32,549,091</u>

5. Long-Term Debt

	1999	1998
Land and Building Loan, repayable in monthly instalments of \$256,715 including interest at 9.2%, due April 1, 2011	\$ 22,336,212	\$ 23,312,532
Gaming Equipment Loan, repayable in monthly instalments of \$242,763 including interest at 7.88%, due April 1, 2001	<u>5,374,114</u> 27,710,326	<u>7,760,695</u> 31,073,227
Less current portion	<u>3,651,613</u>	<u>3,362,900</u>
	<u>\$ 24,058,713</u>	<u>\$ 27,710,327</u>

The above loans are secured by assets and shares of SGC Holdings Inc. Principal repayments required in the next five years are as follows:

2000	\$ 3,651,613
2001	3,965,256
2002	1,285,286
2003	1,408,648
2004	1,543,851
2005 and subsequent	<u>15,855,672</u>
	<u>\$ 27,710,326</u>

6. Commitments

a) Holland Casinos

SGC has retained Holland Casinos to assist in the development and operation of Casino Regina. A five-year agreement was finalized in April 1995, to commence January 1996. Under the agreement, SGC shall pay to Holland Casinos an amount equal to 1.5% of gross gaming revenue, and 1.5% of net profits per operating year for five years, plus any salaries, travel, and living expenses incurred by Holland Casinos staff.

b) Agreement with Regina Exhibition Association (Association)

On April 1, 1997, SGC entered into an agreement with the Association to fulfill previous commitments made to the Association regarding the maintenance of a certain level of its income.

The Association terminated the agreement effective November 23, 1997. Under the provisions of the agreement SGC agreed to pay the Association monthly payments of \$235,417 for the first year following termination of the agreement and monthly payments of \$216,667 in each year thereafter for 29 years.

7. Other Revenue

	1999					1998
	Food & Beverage	Parking	Giftshop	Other	Total	Total
Revenue:						
Sales	\$2,807,354	\$ 966,460	\$ 353,077	\$ —	\$4,126,891	\$ 2,480,601
Cost of goods sold	993,748	—	264,898	—	1,258,646	935,535
Gross profit	1,813,606	966,460	88,179	—	2,868,245	1,545,066
Interest	—	—	—	494,052	494,052	185,962
Rent and other	35,871	—	8,837	72,877	117,585	666,255
Total revenue	1,849,477	966,460	97,016	566,929	3,479,882	2,397,283
Expenses	2,175,241	310,981	93,974	—	2,580,196	1,749,127
Operating income	\$ (325,764)	\$ 655,479	\$ 3,042	\$ 566,929	\$ 899,686	\$ 648,156

8. Promotional Allowances

Promotional allowances include coupons provided to casino patrons, as well as a commission paid to bus tour operators.

9. Expenses by Object

	<u>1999</u>	<u>1998</u>
Salaries and benefits	\$ 12,497,981	\$ 11,566,542
Amortization	3,406,378	3,394,775
Contractual obligation (Note 6 b)	2,745,000	3,260,000
Interest	2,633,149	2,897,525
Utilities, insurance, supplies and maintenance	2,478,604	2,414,230
Marketing and communication	2,437,929	1,858,427
Taxes (Note 10)	2,199,831	2,282,360
Consulting (Note 6 a)	1,289,611	1,552,534
Other operating expenses	720,617	302,050
Professional services	649,767	780,158
Uniforms, recruitment and training	585,284	577,000
Lease and rental	330,784	271,802
Write-down of assets	<u>207,246</u>	<u>264,218</u>
Total Expenses	<u>\$ 32,182,181</u>	<u>\$ 31,421,621</u>

10. Taxes

SGC is on the prescribed list of lottery corporations pursuant to Section 188 of *The Federal Excise Tax Act*. In lieu of collecting Goods and Services Tax (GST) on revenue at the retail level, SGC calculates and remits GST according to a formula prescribed by Revenue Canada. The formula requires SGC to pay 14% on the purchase of goods and services related to the Casino operation.

GST and Provincial Sales Tax on equipment leased from SGC Holdings Inc. is expensed over the term of the lease. Also included in taxes is grants in lieu of property tax.

11. Pension Plan

Substantially all of SGC's permanent employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by the Plan's Board of Directors, using staff and facilities provided by Crown Investments Corporation of Saskatchewan. SGC's financial obligation is limited to matching the required amounts contributed by employees for current service, which totalled \$444,021 for 1999 (1998 - \$347,965). The amount required to be contributed by employees is 5.5% of salary.

12. 1999 Budget

These amounts represent the budget approved by the Board of the Saskatchewan Gaming Corporation.

13. Related Party Transactions

These consolidated financial statements include transactions with related parties. SGC is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, SGC is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. These transactions are as follows:

Category	1999	1998
Salaries and benefits	\$ 661,855	\$ 583,879
Utilities, insurance, supplies and maintenance	654,656	518,389
Restaurant - cost of sales	470,065	396,277
Other operating expenses	27,547	21,997
Accounts payable and accrued liabilities	59,565	82,460

In addition, SGC pays PST to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases. SGC also collects Liquor Consumption Tax and remits to the Saskatchewan Department of Finance.

Other transactions with related parties and amounts due to/from them are described separately in the consolidated financial statements and the notes thereto.

14. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations.

SGC is working to mitigate any potential effects that may be experienced due to the Year 2000 Issue. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

15. Comparative Figures

Certain 1998 balances have been reclassified to conform with the current year's presentation.

Skilnick Robertson Besler Miller & Co.***Chartered Accountants*****SASKATCHEWAN GRAIN CAR CORPORATION****AUDITORS' REPORT****1998.**

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 1998, and the statements of revenue and expenditure, net assets and cash flows for the year then ended. The corporation's management is responsible for preparing these financial statements for Treasury Board's approval. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Skilnick Robertson Besler Miller & Co.

SKILNICK ROBERTSON BESLER MILLER & CO.
Chartered Accountants

Melville, Saskatchewan
January 11, 1999

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 1998.

STATEMENT 1

	----- 1998 -----			1997
				Reclassified
				(Note 9)
	<u>OPERATING</u>	<u>RESERVE</u>	<u>TOTAL</u>	<u>TOTAL</u>
	<u>FUND</u>	<u>FUND</u>		
<u>ASSETS</u>				
Cash	\$ 119,310	\$	\$ 119,310	\$ 27,980
Due from General Revenue Fund (Note 4)	5,997,512	1,119,262	7,116,774	6,093,480
Accounts receivable				
- accrued interest	22,111	4,502	26,613	17,354
- car leasing (Note 6)	640,824		640,824	172,686
- compensation for destroyed cars				28,344
- miscellaneous	27		27	69
Prepaid expenses	2,119		2,119	568
<u>TOTAL ASSETS</u>	<u>\$6,781,903</u>	<u>\$1,123,764</u>	<u>\$7,905,667</u>	<u>\$6,340,481</u>
<u>LIABILITIES AND NET ASSETS</u>				
Accounts payable	\$ 223,531	\$	\$ 223,531	\$ 12,910
Goods and services taxes	18,198	18,992	37,190	Nil
<u>TOTAL LIABILITIES</u>	<u>241,729</u>	<u>18,992</u>	<u>260,721</u>	<u>12,910</u>
Net assets - Statement 3	6,540,174	1,104,772	7,644,946	6,327,571
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$6,781,903</u>	<u>\$1,123,764</u>	<u>\$7,905,667</u>	<u>\$6,340,481</u>
<u>INVESTMENT IN PHYSICAL ASSETS</u> (Note 7)			<u>\$30,281,558</u>	<u>\$31,822,714</u>

(See Accompanying Notes to Financial Statements)

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED JULY 31, 1998.

	STATEMENT 2			
	BUDGET	OPERATING FUND	RESERVE FUND	1997 Reclassified (Note 9) TOTAL
REVENUE				
Car leasing (Note 2)	\$ 700,000	\$1,507,271		\$ 991,526
Interest (Notes 4 & 5)	215,000	229,890	41,183	191,432
Compensation for destroyed grain cars (Note 2)	29,000		214,144	57,171
TOTAL REVENUE	<u>944,000</u>	<u>1,737,161</u>	<u>255,327</u>	<u>1,240,129</u>
EXPENDITURE				
Salaries	266,500	42,974		93,933
Salary benefits (Notes 5 & 8)	35,500	5,706		11,888
Travel and sustenance	3,000	843		4,129
Allowance for uncollectible accounts (Note 6)	Nil	160,000		Nil
Administration (Schedule 1)	121,100	465,590		64,401
TOTAL EXPENDITURE	<u>426,100</u>	<u>675,113</u>	<u>Nil</u>	<u>174,351</u>
EXCESS OF REVENUE OVER EXPENDITURE FOR THE YEAR	<u>\$ 517,900</u>	<u>\$1,062,048</u>	<u>\$ 255,327</u>	<u>\$1,065,178</u>

(See Accompanying Notes to Financial Statements)

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JULY 31, 1998.

STATEMENT 3

	----- 1998 -----			1997 Reclassified (Note 9)
	<u>OPERATING FUND</u>	<u>RESERVE FUND</u>	<u>TOTAL</u>	<u>TOTAL</u>
Net Assets, beginning of year	\$5,478,126	\$ 849,445	\$6,327,571	\$5,261,793
Excess of revenue over expenditure for the year	1,062,048	255,327	1,317,375	1,065,778
<u>NET ASSETS, END OF YEAR</u>	<u>\$6,540,174</u>	<u>\$1,104,772</u>	<u>\$7,644,946</u>	<u>\$6,327,571</u>

(See Accompanying Notes to Financial Statements)

SASKATCHEWAN GRAIN CAR CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 1998.

STATEMENT :

1998 1997
Reclassified
(Note 9)

CASH FLOWS FROM OPERATING ACTIVITIES

Excess of revenue over expenditure for the year	\$1,317,375	\$1,065,778
Net change in non-cash working capital balances related to operations - see summary below	(202,751)	(87,186)
Cash flows from operations	<u>1,114,624</u>	<u>978,592</u>

CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES

Increase (decrease) in investments	(1,023,294)	(967,540)
Cash flows from (used in) investing activities	<u>(1,023,294)</u>	<u>(967,540)</u>

NET INCREASE (DECREASE) IN CASH DURING YEAR

91,330 11,052

CASH POSITION AT BEGINNING OF YEAR

27,980 16,928

CASH POSITION AT END OF YEAR

\$ 119,310 \$ 27,980

SUMMARY OF CHANGES IN NON-CASH WORKING CAPITALINCREASE) DECREASE IN ASSETS

Accounts receivable	(449,011)	(97,856)
Prepaid expenses	(1,551)	(9)
	<u>(450,562)</u>	<u>(97,865)</u>

INCREASE (DECREASE) IN LIABILITIES

Accounts payable	210,621	10,679
Goods and services taxes	37,190	Nil
	<u>247,811</u>	<u>10,679</u>
	<u>\$ (202,751)</u>	<u>\$ (87,186)</u>

(See Accompanying Notes to Financial Statements)

SASKATCHEWAN GRAIN CAR CORPORATIONNOTES TO FINANCIAL STATEMENTSJULY 31, 1998.1. STATUS OF THE CORPORATION

The Saskatchewan Grain Car Corporation is a Provincial Crown Corporation established on October 2, 1979 by Order-in-Council 1787/79. The Corporation continues under the authority and provisions of The Saskatchewan Grain Car Corporation Act.

The Corporation's mission is to maximize the economic benefits to the Saskatchewan agricultural industry as a first priority, other Saskatchewan industries, and the Province in general, through the efficient and effective use and operation of its fleet.

2. OPERATING AGREEMENT

The Corporation has entered into an agreement dated February, 1981, with the Canadian National Railway Company, Canadian Pacific Limited, and The Canadian Wheat Board which allows the railways to lease the Corporation's cars free of charge for statutory grain service. Statutory grain service refers to the carriage of wheat, durum, oats, barley, rye, flax, and canola at regulated freight rates.

With the approval of the Corporation, the railways may lease the Corporation's cars for commercial service, provided the cars are surplus to the requirements for statutory grain service. Commercial service includes the carriage of grain at non-regulated freight rates as well as the carriage of other bulk commodities, such as potash. The railways are required to pay an agreed leasing charge to the Corporation for these movements.

The railways are responsible for maintaining and repairing the Corporation's cars at their own expense in accordance with industry standards.

In the event that one of the Corporation's cars is damaged beyond economic repair, the railway responsible is required to compensate the Corporation for the value of the car in accordance with Rule 107 of the Interchange Rules Manual of the Association of American Railroads. The value is based on the current replacement value of the car and the age of the car. All amounts received from the railways as compensation for destroyed cars are placed in a reserve fund to be used for the purchase of new cars.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles.

The Corporation uses the accrual basis of accounting. Where the Corporation is the lessor, rental revenues from car operating leases are recognized as the service is provided to the lessee.

(Continued on next page)

SASKATCHEWAN GRAIN CAR CORPORATIONNOTES TO FINANCIAL STATEMENTSJULY 31, 1998.3. SIGNIFICANT ACCOUNTING POLICIES ... Continued

The financial records of the Corporation are segregated into two funds:

- (i) Operating Fund, which records the operating revenues and expenditures of the Corporation; and
- (ii) Reserve Fund, which records the compensation received from the railways for destroyed cars. All interest earned from cash balances is retained by the Reserve Fund.

4. DUE FROM GENERAL REVENUE FUNDOPERATING FUND

Balance of \$5,997,512 is held at the Royal Bank in a Consolidated Offset Balance Concentration Account. These funds are then pooled and invested by the Provincial Government. Interest is based on the 30 day borrowing rate of the General Revenue Fund and thus fluctuates monthly. Interest is credited to the account quarterly on the 15th day after the interest period.

RESERVE FUND

Balance of \$1,119,262 is held at the Royal Bank in a Consolidated Offset Balance Concentration Account. These funds are then pooled and invested by the Provincial Government. Interest is based on the 30 day borrowing rate of the General Revenue Fund and thus fluctuates monthly. Interest is credited to the account quarterly on the 15th day after the interest period.

5. RELATED PARTY TRANSACTIONS

These financial statements include transactions with related parties. The Corporation is related to all Saskatchewan Crown Agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Corporation is related to non-crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rate charged by those organizations and are settled on normal trade terms.

These transactions are as follows:

	<u>1998</u>	<u>1997</u>
<u>Revenue</u>		
Government of Saskatchewan (General Revenue Fund)		
- interest earnings	<u>\$ 271,073</u>	<u>\$ 191,432</u>

(Continued on next page)

SASKATCHEWAN GRAIN CAR CORPORATIONNOTES TO FINANCIAL STATEMENTSJULY 31, 1998.5. RELATED PARTY TRANSACTIONS ... ContinuedExpenditure

Department of Highways and Transportation			
- Acting Fleet Superintendent services	\$ 69,800	\$	5,867
Department of Highways and Transportation			
- Data processing and data storage	\$ 291,919	\$	Nil
Saskatchewan Property Management Corporation			
- Office rent of \$568 per month for the eight months to March 1998. Effective April 1, 1998 the monthly rental charge was increased to \$592, with July 1998 rental reduced to \$502	\$ 6,821	\$	6,886
- Additional office space rental for \$512 per month for June and July 1998	\$ 1,024	\$	Nil
- Office supplies and postage	\$ 722	\$	449
Saskatchewan Telecommunications			
- Telecommunication services	\$ 5,769	\$	5,340
Crown Investments Corporation (Capital Pension Plan)			
- Employee pension plan contributions	\$ 1,550	\$	4,460
Workers' Compensation Board (Saskatchewan)	\$ 595	\$	963

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

6. FINANCIAL INSTRUMENTSSIGNIFICANT TERMS AND CONDITIONS

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing or certainty of future cash flows.

CREDIT RISK

The Corporation is exposed to credit risk from the potential non-payment of accounts receivable. The Corporation's receivables consist of amounts due from Canadian National Railway Company, Canadian Pacific Limited and accrued interest on funds invested by the Provincial Government. The corporation has recorded an allowance of 160,000 for the non-payment of accounts receivable, therefore the credit risk on collection of the balance is minimal.

FAIR VALUE

The carrying amount of cash, due from General Revenue Fund, accounts receivable net of allowance for non-payment of 160,000 and accounts payable approximate fair market value due to their immediate or short term nature.

(Continued on next page)

SASKATCHEWAN GRAIN CAR CORPORATIONNOTES TO FINANCIAL STATEMENTSJULY 31, 1998.7. INVESTMENT IN PHYSICAL ASSETS

In 1992, the Corporation wrote off its capital assets consisting entirely of hopper cars due to the inability to project with reasonable certainty, the possible future net cash flows from usage. The following is provided for information purposes.

The Corporation purchased 1,000 covered hopper cars in 1981 at a cost of \$54,214,423. As of July 31, 1998, 23 cars have been destroyed; the remaining 977 cars are in service.

The investment in the hopper cars is amortized on a straight line basis over an expected useful life of 40 years.

	----- 1998 -----			----- 1997 -----		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Rolling stock	\$52,967,491	\$22,645,933	\$30,281,558	\$53,238,563	\$21,415,649	\$31,822,914

The 1998 amortization totalled \$1,327,011 (1997 - \$1,332,884)

8. PENSION PLAN

The Corporation participates in a defined contribution pension plan for the benefit of its employees. The Corporation's financial obligation to the Capital Pension Plan is limited to making regular payments to match the amounts contributed by employees for current service. The Corporation's annual pension expense for 1998 amounted to \$1,550. (1997 \$4,460).

9. COMPARATIVE FIGURES

Comparative figures have been reclassified, where necessary, to conform to presentation adopted in the current year.

10. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant system failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

(Continued from previous page)

SASKATCHEWAN GRAIN CAR CORPORATION
SCHEDULE OF ADMINISTRATION EXPENSES
FOR THE YEAR ENDED JULY 31, 1998.

	1998 <u>BUDGET</u>	<u>1998</u>	<u>1997</u> (Note 2)
<u>OPERATING FUND</u>			
Advertising and promotion	\$ Nil	\$ Nil	\$ 2,996
Bank charges	100	147	141
Computer maintenance	6,000	3,524	4,056
Consulting services (Note 5)	100,000	120,128	40,469
Data processing - Car leasing (Note 5)	Nil	291,919	Nil
Miscellaneous	Nil	45	Nil
Office supplies (Note 5)	400	427	270
Postage and courier (Note 5)	500	467	233
Printing and copying (Note 5)	1,200	1,169	1,090
Professional services	3,000	15,747	2,920
Rent - office space (Note 5)	6,900	7,845	6,886
Subscriptions - Railway data		18,403	Nil
Telecommunications (Note 5)	3,000	5,769	5,340
<u>TOTAL - TO STATEMENT 2</u>	<u>\$ 121,100</u>	<u>\$ 465,590</u>	<u>\$ 64,401</u>
<u>RESERVE FUND</u>			
Car restoration	\$ Nil	\$ Nil	\$ Nil
<u>TOTAL - TO STATEMENT 2</u>	<u>\$ Nil</u>	<u>\$ Nil</u>	<u>\$ Nil</u>

(See Accompanying Notes to Financial Statements)

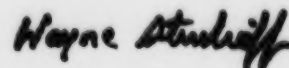
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Saskatchewan Health Information Network (the Corporation) as at March 31, 1999 and the statements of operations and net assets and cash flows for the year then ended. The Corporation's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and the changes in its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
April 27, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

SASKATCHEWAN HEALTH INFORMATION NETWORK
STATEMENT OF FINANCIAL POSITION
As at March 31, 1999
(thousands of dollars)

ASSETS		<u>1999</u>	<u>1998</u>
Current Assets:			
Due from General Revenue Fund (Note 3)	\$	4,787	\$ 15,573
Accounts receivable		<u>115</u>	<u>---</u>
		4,902	15,573
Capital Assets (Notes 2(a) and 4)		<u>12,494</u>	<u>3,098</u>
Total Assets	\$	<u>17,396</u>	<u>18,671</u>

LIABILITIES AND NET ASSETS

Current Liabilities:			
Accounts payable and accrued liabilities	\$	<u>2,071</u>	\$ <u>2,276</u>
Net Assets:			
Investment in capital assets		12,494	3,098
Unrestricted		<u>2,831</u>	<u>13,297</u>
Total Net Assets		<u>15,325</u>	<u>16,395</u>
Total Liabilities and Net Assets	\$	<u>17,396</u>	<u>18,671</u>

(See accompanying notes to financial statements)

Statement 2

SASKATCHEWAN HEALTH INFORMATION NETWORK
STATEMENT OF OPERATIONS AND NET ASSETS
For the Year Ended March 31
(thousands of dollars)

	<u>1999</u>	<u>1998</u>
	<u>Budget</u>	<u>Actual</u>
	(note 8)	<u>Actual</u>
Revenue:		
Grants from Saskatchewan Health		
- General Revenue Fund	\$ 11,000	\$ 5,000
Interest & other revenue	<u>371</u>	<u>292</u>
	<u>11,371</u>	<u>20,438</u>
Expenses :		
Salaries and benefits	486	214
Board expenses	75	40
Purchased services	4,917	3,738
Ongoing operations	—	—
Miscellaneous expenses	<u>288</u>	<u>51</u>
	<u>5,766</u>	<u>4,043</u>
Excess (deficiency) of revenue over expenses	<u>\$ 5,605</u>	16,395
Net assets at beginning of year		<u>16,395</u>
Net assets at end of year		<u>\$ 15,325</u>

(See accompanying notes to financial statements)

Statement 3

SASKATCHEWAN HEALTH INFORMATION NETWORK
STATEMENT OF CASH FLOWS
For the Year Ended March 31
(thousands of dollars)

	<u>1999</u>	<u>1998</u>
Operating Activities:		
Excess (deficiency) of revenue over expenses	\$ (1,070)	\$ 16,395
Amortization expenses	5	---
Changes in non-cash working capital balances:		
Accounts payable and accrued liabilities	(205)	2,276
Accounts receivable	<u>(115)</u>	<u>---</u>
Cash flow (requirement) from operating activities	(1,385)	18,671
Investing Activities:		
Additions to capital assets	<u>(9,401)</u>	<u>(3,098)</u>
Increase (decrease) in cash for the year	(10,786)	15,573
Due from General Revenue Fund, beginning of year	<u>15,573</u>	<u>---</u>
Due from General Revenue Fund, at end of year	<u>\$ 4,787</u>	<u>\$ 15,573</u>

(See accompanying notes to financial statements)

**SASKATCHEWAN HEALTH INFORMATION NETWORK
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 1999**

1. Description of Business

The Saskatchewan Health Information Network (the Corporation) was established as a Treasury Board Crown Corporation by Order in Council 581/1997 under the provisions of *The Crown Corporations Act, 1993* (Act) effective August 19, 1997.

The Corporation was created to design, implement, own, operate, and manage the Saskatchewan Health Information Network (SHIN). The Corporation's purpose is to foster the development of the health information technology sector, to foster re-engineering of health delivery processes and to protect health information as a strategic resource.

Development of the Corporation's main initiative, the SHIN (computer system), commenced after the project received Cabinet approval on June 30, 1997.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

a) Capital Assets

The Corporation records capital assets at cost, including the direct costs of developing the Saskatchewan Health Information Network (SHIN). Normal maintenance and repairs are expensed as incurred. Capital assets are amortized, commencing with the quarter after the assets are placed into service, on a straight-line basis over their estimated useful lives as follows:

• Desktop Computer Hardware	3 years
• Computer Software	3 years
• Network Hardware, Software & System Development Costs	5 years
• Office Equipment	5 years
• Office Furniture	10 years

The Corporation expects to place the majority of SHIN assets into service and to commence amortization during the fiscal year ended March 31, 2000. Administration assets have been amortized in the current year.

b) Revenue

Contributions from Saskatchewan Health - General Revenue Fund or other sources are included in revenue when received or receivable.

3. Due from the General Revenue Fund

The Corporation's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

Earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the corporation's bank account using the Government's thirty day borrowing rate and the Corporation's average daily account balance.

4. Capital Assets

	1999		1998	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Desktop computer hardware	\$ 323,832	\$ 4,849	\$ 318,983	\$ 19,544
Computer network hardware	1,678,513	—	1,678,513	—
Desktop computer software	240,748	—	240,748	37,448
Licensed or multiple application software	3,746,254	—	3,746,254	1,627,651
Office equipment	2,397	360	2,037	—
Office furniture	1,005	75	930	—
System development costs	<u>6,506,440</u>	<u>—</u>	<u>6,506,440</u>	<u>1,412,907</u>
Total	<u>\$ 12,499,189</u>	<u>\$ 5,284</u>	<u>\$ 12,493,905</u>	<u>\$ 3,097,550</u>

5. Commitment

At March 31, 1999, the Corporation had, by agreement, the following commitment:

Agreement with SAIC

On March 11, 1998, the Corporation entered into a service agreement pursuant to Order in Council 161/1998 with the Science Applications International Corporation Canada (SAIC) to implement the SHIN computer system. The Agreement allows for SHIN to divide the project into small pieces of work and then commit to those specific segments. As at March 31, 1999, \$5.3 million is committed on this project.

6. Related Parties

These financial statements include transactions with related parties. The Corporation is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. In addition, the Corporation pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

For part of the 1999 fiscal year, Saskatchewan Health provided the Corporation, without charge, financial and operational support services including financial management, human resource management and accounting. These costs have been absorbed by Saskatchewan Health and therefore no provision for such costs are reflected in these financial statements.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

7. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing and certainty of future cash flows.

b) Fair value

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- The carrying amounts of these financial instruments approximate fair value due to their immediate or short-term nature:
 - Due from the General Revenue Fund
 - Accounts Receivable
 - Accounts Payable

8. Budget

The budget was approved by the Corporation's board.

9. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

10. Comparative Information

Certain 1997-98 balances have been re-classified to conform with the current year's presentation.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Saskatchewan Heritage Foundation as at March 31, 1999 and the statements of operations and net assets, and cash flows for the year then ended. The Foundation's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelhoff

Regina, Saskatchewan
April 23, 1999

Wayne Strelhoff, CA
Provincial Auditor

Statement 1

**SASKATCHEWAN HERITAGE FOUNDATION
STATEMENT OF FINANCIAL POSITION
As at March 31**

	<u>1999</u>	<u>1998</u> (Note 3)
ASSETS		
Current assets:		
Cash	\$ 1,014	\$ 773
Due from General Revenue Fund (Note 4)	410,038	578,845
Due from Parks Canada	154,500	—
Advances	<u>29,958</u>	<u>92,715</u>
	<u><u>\$ 595,510</u></u>	<u><u>\$ 672,333</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 3,055	\$ 24,758
Net assets (Statement 2)	<u>592,455</u>	<u>647,575</u>
	<u><u>\$ 595,510</u></u>	<u><u>\$ 672,333</u></u>
Commitments (Note 5)		

(See accompanying notes to the financial statements)

Statement 2

SASKATCHEWAN HERITAGE FOUNDATION
STATEMENT OF OPERATIONS AND NET ASSETS
For the Year Ended March 31

	1999		1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 8)		(Note 3)
Revenues:			
Department of Municipal Affairs, Culture and Housing - General Revenue Fund	\$ 345,000	\$ 345,000	\$ 345,000
Parks Canada (Note 6)	---	154,500	45,500
Canada-Saskatchewan Infrastructure Works Program	---	33,000	---
Interest (Note 4)	22,560	23,231	22,250
Other	---	5,000	---
	<u>367,560</u>	<u>560,731</u>	<u>412,750</u>
Expenses:			
Grants	280,000	349,067	274,115
Heritage properties (Note 6)	183,337	236,801	144,737
Board travel and honorariums	18,244	16,034	16,998
Printing	4,850	6,222	4,830
Other	6,350	7,727	11,787
	<u>492,781</u>	<u>615,851</u>	<u>452,467</u>
Deficit for the year	<u>\$ 125,221</u>	55,120	39,717
Net assets, beginning of year		<u>647,575</u>	<u>687,292</u>
Net assets, end of year - to Statement 1		<u>\$ 592,455</u>	<u>\$ 647,575</u>

(See accompanying notes to the financial statements)

Statement 3

SASKATCHEWAN HERITAGE FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Cash received from General Revenue Fund	\$ 378,000	\$ 345,000
Cash received from federal government	---	45,500
Interest received	23,231	22,250
Cash received from general contributors	5,000	---
Cash paid to grant recipients	(286,310)	(292,284)
Cash paid to suppliers	<u>(288,487)</u>	<u>(177,054)</u>
Net decrease in cash	168,566	56,588
Cash, beginning of year	<u>579,618</u>	<u>636,206</u>
Cash, end of year	<u><u>\$ 411,052</u></u>	<u><u>\$ 579,618</u></u>
Cash consists of:		
Cash	\$ 1,014	\$ 773
Due from General Revenue Fund	<u>410,038</u>	<u>578,845</u>
	<u><u>\$ 411,052</u></u>	<u><u>\$ 579,618</u></u>

(See accompanying notes to the financial statements)

**SASKATCHEWAN HERITAGE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Authority

The Saskatchewan Heritage Foundation was established under the authority of *The Saskatchewan Heritage Foundation Act* effective February 18, 1991. The Foundation works in close consultation with the Heritage Branch of the Department of Municipal Affairs, Culture and Housing and provides financial support for community-based heritage projects which conserve, restore, develop and interpret Saskatchewan's rich heritage resources.

The Foundation is managed by the Saskatchewan Heritage Foundation Board.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following policies are considered significant:

a) Heritage Properties

The cost incurred to restore and develop heritage properties is expensed in the year the services are rendered and/or goods received.

Donated heritage properties, materials and services are not recorded.

b) Grant Revenue

Grants are recognized when approved and eligibility criteria, if any, have been met.

c) Grant Expense

Grant expenses are recognized when projects are approved by the Foundation Board and eligibility criteria, if any, have been met.

d) Advances

The Foundation records amounts paid to grant recipients, before all eligibility criteria have been met, as advances.

3. Restatement of Prior Year's Results

In 1999, it was determined, due to an oversight, an error was made in the recording of the 1998 heritage properties expenses. As a result, 1998 heritage properties expenses were understated by \$22,030. The 1998 results have been restated to properly report heritage properties expenses.

On the 1998 statement of operations and net assets, heritage properties expenses and deficit for the year have been increased by \$22,030 and net assets end of the year has been reduced by \$22,030. On the 1998 statement of financial position, accounts payable has been increased by \$22,030 and net assets has been reduced by \$22,030.

4. Due From General Revenue Fund

The Foundation's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

The Foundation's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Foundation's bank accounts using the Government's thirty day borrowing rate and the Foundation's average daily bank account balance. The Government's average thirty day borrowing rate for 1998/99 is 5.04% (1997/98 – 3.77%).

5. Commitments

The Foundation has multi-year grant commitments at year end totalling \$359,841 (1998 - \$338,522)

6. Heritage Properties

The Claybank Brick Plant was donated to the Foundation in 1992. In 1994, the plant was designated as a National Historic Site. During the year, the Foundation incurred restoration and development costs of \$236,801 (1998 - \$144,737). The Claybank Brick Plant Historical Society donates material and services to the Foundation to achieve the common goal of developing the Brick Plant as a tourist attraction. The Foundation has entered into an agreement with Parks Canada that provides for Federal Government contributions towards the cost of restoration of this National Historic Site. During the year, the Foundation recognized \$154,500 (1998 - \$45,500) as revenue, pursuant to this agreement.

7. Financial Instruments

The Foundation's financial instruments include cash, due from General Revenue Fund, due from Parks Canada, advances and accounts payable. The fair value of these instruments approximates carrying value due to the immediate or short-term maturity.

8. Budget

The Saskatchewan Heritage Foundation Board approved the 1998/99 budget.

9. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies and boards related to the Foundation by virtue of common control by the Government of Saskatchewan.

Routine operating transactions with related parties are recorded at rates charged by those organizations and are settled on normal trade terms. Routine related party transactions included expenses of \$21,356 (1998 - \$6,656) and accounts payable of \$665 (1998 - \$592).

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

The Foundation pays Saskatchewan Education and Health tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

In accordance with established government practice, the Foundation has not been charged with certain administrative and occupancy costs and no provision for such costs is reflected in these statements. These costs are borne by the Department of Municipal Affairs, Culture and Housing from monies appropriated by the Legislature for such purposes.

10. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than that date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

11. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the consolidated balance sheet of the Saskatchewan Housing Corporation as at December 31, 1998, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1998, and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Saskatchewan

March 5, 1999

Saskatchewan Housing Corporation

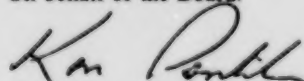
Consolidated Balance Sheet

As at December 31
(thousands)

	1998	1997
Assets		
Investment in housing projects (note 3)	\$277,968	\$280,731
Land (note 4)	5,360	6,161
Mortgages and loans (note 5)	3,996	10,107
Accounts receivable	8,246	7,738
Cash and cash equivalents	---	3,792
	\$295,570	\$308,529
Liabilities and Net Assets		
Liabilities:		
Long-term debt (note 6)	\$197,721	\$230,307
Deferred federal contributions (note 7)	37,138	16,016
Deferred contributions related to capital assets (note 8)	12,121	12,339
Land profits holding account (note 9)	2,389	2,341
Accounts payable and accruals	16,457	17,623
Short-term indebtedness	1,842	---
	\$267,668	\$278,626
Net Assets:		
Internally restricted net assets (note 10)	\$ 26,008	\$ 28,589
Unrestricted net assets	1,894	1,314
	\$ 27,902	\$ 29,903
Contingencies and commitments (notes 14 and 16)	\$295,570	\$308,529

See accompanying notes to the consolidated financial statements.

On behalf of the Board:



Ken Pontikes, Director

Saskatchewan Housing Corporation
Consolidated Statement of Operations

For the year ended December 31
 (thousands)

	1998 Planned	1998 Actual	1997 Actual (Restated - note 18)
Revenues:			
Rents and other income	\$ 65,805	\$ 67,080	\$ 62,359
Land sales	1,679	2,692	1,947
Federal contributions (note 7)	55,279	41,620	59,288
General Revenue Fund contributions	28,876	28,792	36,950
Other contributions	1,066	1,460	1,000
	\$ 152,705	\$141,644	\$161,544
Expenditures:			
Operating (note 12)	\$ 89,964	\$ 77,165	\$ 82,593
Interest expense (note 13)	26,031	25,176	29,055
Grants and subsidies	35,461	29,805	30,084
Amortization	2,550	2,847	2,399
Cost of land sales	1,343	2,462	1,530
Loss provisions and other	1,736	686	599
	\$ 157,085	\$138,141	\$146,260
Net operations	\$ (4,380)	\$ 3,503	\$ 15,284

See accompanying notes to the consolidated financial statements.

Saskatchewan Housing Corporation
Consolidated Statement of Changes in Net Assets

For the year ended December 31
(thousands)

	1998	1997 (Restated - note 18)
Unrestricted Net Assets:		
Balance, beginning of year	\$ 1,314	\$11,458
Net operations	3,503	15,284
Premium on early retirement of long-term debt (note 18)	(5,504)	(5,767)
Net transfers from (to) internally restricted net assets (note 10)	2,581	(19,661)
Balance, end of year	\$ 1,894	\$ 1,314
Internally Restricted Net Assets:		
Balance, beginning of year	\$ 28,589	\$ 8,928
Net transfers from (to) unrestricted net assets (note 10)	(2,581)	19,661
Balance, end of year	\$ 26,008	\$28,589
Net Assets, end of year	\$ 27,902	\$29,903

See accompanying notes to the consolidated financial statements.

Saskatchewan Housing Corporation Consolidated Statement of Cash Flows

For the year ended December 31
(thousands)

Cash Provided By (Used In):

	1998	1997 (Restated) - note 18
Operating Activities:		
Net operations	\$ 3,503	\$ 15,284
Items not affecting cash:		
Amortization	2,847	2,399
Cost of land sales	2,462	1,530
Loss provisions and other	686	397
Grants and subsidies	179	—
Other contributions	(652)	(399)
Payments from land profits holding account	(200)	(286)
Decrease (increase) in non-cash working capital	(1,889)	3,047
Increase in deferred federal contributions	21,122	16,016
	\$28,058	\$ 37,988
Investment Activities:		
Reduction of mortgages and loans	\$ 6,175	\$ 8,209
Investment in land	(2,828)	(2,863)
Investment in housing projects	(764)	(7,988)
Proceeds from sale of housing projects	1,312	3,809
	\$ 3,895	\$ 1,167
Financing Activities:		
Repayment of long-term debt	\$(39,086)	\$(53,240)
Premium on early retirement of long-term debt (note 18)	(5,504)	(5,767)
Proceeds from long-term debt	6,500	17,062
Contributions related to construction of housing projects	551	5,434
Transfer of Staff Housing sale proceeds to General Revenue Fund	(48)	(72)
	\$(37,587)	\$(36,583)
Net increase (decrease) in cash position	\$ (5,634)	\$ 2,572
Cash and cash equivalents, beginning of year	\$ 3,792	\$ 1,220
Cash and cash equivalents (short-term indebtedness), end of year	\$ (1,842)	\$ 3,792

See accompanying notes to the consolidated financial statements.

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 1998

NOTE 1: STATUS OF THE CORPORATION

The Saskatchewan Housing Corporation operates under the authority of *The Saskatchewan Housing Corporation Act*.

The Corporation's general objectives are to undertake, facilitate, and promote measures which will contribute to the availability of adequate and affordable housing for all Saskatchewan residents, and in particular the provision of housing for senior citizens, the disabled and other groups or persons who require assistance. The Corporation also undertakes, facilitates and promotes measures to repair, rehabilitate and make improvements to housing.

Pursuant to provisions of Section 36 of *The Saskatchewan Housing Corporation Act*, the Corporation receives contributions from the General Revenue Fund of the Province of Saskatchewan to fund the Corporation's net operations. As a Provincial Crown Corporation, the Corporation is not subject to Federal income tax, Provincial income tax or Federal large corporations tax.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The policies used in preparing the Corporation's consolidated financial statements are consistent with accounting principles generally accepted in Canada.

Basis of consolidation

The consolidated financial statements include the accounts of Saskatchewan Housing Corporation and public housing authorities controlled by the Corporation.

Housing authorities are incorporated bodies with no share capital, established by ministerial order pursuant to subsection 18 (1) of *The Saskatchewan Housing Corporation Act*. They provide community-based management for housing projects in which the Corporation has an ownership interest. Housing authorities are controlled by the Corporation by virtue of the fact that the Minister-in-charge of the Corporation has the legislative authority to appoint the members of each housing authority. Also, subsection 18 (9) of *The Saskatchewan Housing Corporation Act* provides that housing authorities must comply with policies established by the Corporation.

Transactions and account balances between the Corporation and housing authorities have been eliminated in these consolidated financial statements.

Saskatchewan Housing Corporation Notes to Consolidated Financial Statements

December 31, 1998

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenue recognition

The Corporation follows the deferral method of accounting for contributions.

General Revenue Fund contributions, which are provided through the Department of Municipal Affairs, Culture and Housing, are unrestricted in nature, subject only to the broad provisions of Section 36 of *The Saskatchewan Housing Corporation Act*. Accordingly, General Revenue Fund contributions are recognized as revenue in the year in which they are received.

Federal contributions, which are provided by Canada Mortgage and Housing Corporation (CMHC), are restricted in nature. Accordingly, federal contributions are recognized as revenue in the year in which the related expenditures are incurred.

Other contributions that are restricted for a specified use are deferred and are recognized as revenue as the related expenditures are incurred.

Sales of land intended for single family residential development are recorded at the earlier of receipt of total proceeds or completion of the first floor joist stage of construction. Other land sales are recorded at the earlier of receipt of total sale proceeds or the date by which all material conditions required of the vendor as specified in the sales agreement have been satisfied, and effective control of the property has passed to the purchaser.

The cost of land sales is allocated in proportion to anticipated revenue for each project.

Investment in housing projects:

Completed housing projects are carried at cost (which includes land, development, construction, administrative and carrying costs), less accumulated amortization. The recorded cost of certain projects is net of capital financing provided by CMHC and municipalities.

Debt-financed housing projects are amortized on the sinking fund basis over periods of up to fifty years. Other housing projects are amortized on a straight-line basis over periods up to forty years.

Land:

Land is recorded at the lower of net realizable value and cost (which includes acquisition, development, administrative and carrying costs).

Interest capitalization:

Interest is capitalized on debt-financed housing and land projects at rates established at individual project commitment dates, based on approximate market rates at the time.

Saskatchewan Housing Corporation Notes to Consolidated Financial Statements

December 31, 1998

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Mortgages and loans:

Mortgages and loans are recorded at cost less an allowance for loan impairment. Cost includes amounts advanced, accrued interest and other charges, less repayments and subsidies.

The allowance for loan impairment adjusts the carrying amounts of individual accounts to net realizable value. The allowance is determined on the basis of a review of clients' loan payment records, and an assessment of the realizable value of mortgage security where applicable.

Cash and cash equivalents:

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash equivalents are carried at cost, which approximates market value.

Saskatchewan Mortgage Guarantee Program:

Losses on individual mortgage guarantees are provided for on the basis of claims received and mortgage arrears as reported to the Corporation by lenders.

Home Improvement Program - Loan guarantees:

Losses on individual loan guarantees are provided for on the basis of claims submitted by lenders. Subsequent cash recoveries of principal and interest from borrowers are recorded as other income.

Measurement uncertainty:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty that is material to these financial statements exists in the valuation of land held for future development, the valuation of mortgages and loans, and the provisions for losses in respect of loan guarantees pursuant to the Saskatchewan Mortgage Guarantee Program and the Home Improvement Program. In determining the recognized amounts for these asset valuation allowances and loss provisions, the Corporation relies on an assessment of prevailing business and economic conditions. Management believes that the recognized amounts are unlikely to change by a material amount in the near term.

Saskatchewan Housing Corporation
Notes to Consolidated Financial Statements

December 31, 1998

NOTE 3: INVESTMENT IN HOUSING PROJECTS
(thousands)

	1998		1997	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Completed projects	\$298,898	\$24,033	\$274,865	\$277,979
Construction	3,103	---	3,103	2,752
	\$302,001	\$24,033	\$277,968	\$280,731

The carrying value of Investment in housing projects is dependent upon the continued receipt of contributions from the General Revenue Fund.

For certain housing projects, the Corporation's cost is net of capital financing provided by CMHC and municipalities pursuant to cost-sharing agreements in effect at the project commitment dates.

The Corporation and CMHC have executed a Declaration of Trust by which CMHC has transferred their ownership interest in cost-shared and 100% CMHC-financed housing projects to the Corporation, as trustee. CMHC's interest in these assets will be earned by the Corporation over the remainder of each project's CMHC subsidy commitment period, in amounts which correspond to the annual amortization of the assets. Accordingly, no increase in capital assets was recorded by the Corporation.

NOTE 4: LAND
(thousands)

	1998		1997	
	Cost	Accumulated Provision for Loss	Carrying Amount	Carrying Amount
Developed and under development	\$ 6,942	\$ 3,675	\$3,267	\$ 3,427
Held for future development	13,375	11,282	2,093	2,734
	\$20,317	\$14,957	\$5,360	\$ 6,161

Saskatchewan Housing Corporation
Notes to Consolidated Financial Statements

December 31, 1998

NOTE 5: MORTGAGES AND LOANS
(thousands)

	1998	1997
Mortgages	\$4,497	\$10,659
Home Improvement Program loans	2,034	3,184
Other loans	504	585
	\$7,035	\$14,428
Less: Allowance for loan impairment	3,039	4,321
	<u>\$3,996</u>	<u>\$10,107</u>

Included in Mortgages and loans are impaired loans as follows:

	Amortized Cost	Allowance for Loan Impairment	Carrying Amount 1998	Carrying Amount 1997
Mortgages	\$ 1,730	\$ 906	\$ 824	\$ 1,254
Home Improvement Program loans	2,034	2,034	---	---
Other loans	106	99	7	13
	<u>\$ 3,870</u>	<u>\$ 3,039</u>	<u>\$ 831</u>	<u>\$ 1,267</u>

The allowance for loan impairment includes an allowance of \$150,000 (1997 - \$150,000) established collectively against a group of mortgages totalling \$722,000 (1997 - \$1,159,000).

Included in Rents and other income are cash recoveries of principal and interest from Home Improvement Program clients totalling \$726,000 (1997 - \$1,204,000).

Saskatchewan Housing Corporation
Notes to Consolidated Financial Statements

December 31, 1998

NOTE 6: LONG-TERM DEBT

		1998	1997
Advances repayable to the General Revenue Fund (thousands):			
Year Repayable	Weighted Average Interest Rate (%)		
1998	9.41	\$ ---	\$ 21,030
1999	10.34	35,578	35,578
2000	12.47	30,961	30,961
2001	15.51	42,075	42,075
2002	14.76	59,175	76,686
2003	12.14	4,556	4,556
2008	5.50	6,500	- - -
		\$178,845	\$210,886
Mortgages payable to CMHC, due at various dates from January 1 to September 1, 2002, repayable in monthly installments of \$141,000 (1997 - \$141,000) including interest at rates from 5.74% to 6.44%			
		18,876	19,421
		<u>\$197,721</u>	<u>\$230,307</u>

Under conditions attached to an advance of \$6,500,000 from the General Revenue Fund, repayable in 2008, the Corporation is required to pay annually into a sinking fund administered by the Department of Finance a minimum of one per cent of the advance outstanding, commencing June 2, 1999.

Aggregate principal amounts of long-term debt payable in the next five years are as follows (thousands):

1999	2000	2001	2002	2003
\$36,148	\$31,580	\$42,727	\$76,210	\$4,556

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 1998

NOTE 7: DEFERRED FEDERAL CONTRIBUTIONS

(thousands)

	1998	1997
Balance, beginning of year	\$ 16,016	\$ - - -
Contributions from CMHC	62,611	75,304
Interest credited	131	- - -
Recognized as revenues	(41,620)	(59,288)
Balance, end of year	\$ 37,138	\$ 16,016

Pursuant to the Social Housing Agreement executed by the Corporation and CMHC, which took effect on January 1, 1997, CMHC will pay fixed annual contributions to the Corporation over the remainder of the CMHC subsidy commitment period for individual housing projects. The Agreement provides that at least a specified amount of the annual federal contributions must be applied toward housing programs which assist low income households, as defined in the Agreement. The portion of federal contributions that may be applied toward other housing programs within the scope of the Agreement is similarly specified. Unexpended federal contributions are carried forward by the Corporation for future use, but such contributions must be fully used, in accordance with the Agreement, by the Funding Expiration Date of December 31, 2038.

NOTE 8: DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

(thousands)

	1998	1997
Balance, beginning of year	\$ 12,339	\$ 7,336
Contributions	551	5,434
Amortization	(652)	(399)
Net book value of housing project disposals	(117)	(32)
Balance, end of year	\$ 12,121	\$12,339

This balance relates to certain housing projects transferred to the Corporation, as well as contributions related to the construction of new housing projects. The assets or contributions were provided by Saskatchewan government departments or CMHC. The balance of deferred contributions is being amortized on the same basis as the related housing projects.

Saskatchewan Housing Corporation
Notes to Consolidated Financial Statements

December 31, 1998

NOTE 9: LAND PROFITS HOLDING ACCOUNT
(thousands)

	1998	1997
Balance, beginning of year	\$ 2,341	\$ 2,207
Profit on land sales	203	389
Interest credited	45	31
Payments	(200)	(286)
Balance, end of year	<u>\$ 2,389</u>	<u>\$ 2,341</u>

Profits earned on land development projects are distributed according to agreements with municipalities, which specify the percentage of profits to be transferred to a holding account for social or recreational development in the municipalities, or for other purposes as deemed appropriate by the Corporation. Individual project balances are subject to release pending determination of final costs, receipt of the last lot sale proceeds, and approval by the Corporation.

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 1998

NOTE 10: INTERNALLY RESTRICTED NET ASSETS (thousands)

					1998	1997
	Replacement Reserve	Rejuvenation Commitments	Northern Initiatives	Risk Reserve	Total	Total
Balance, beginning of year	\$ 8,035	\$ 842	\$7,710	\$12,002	\$28,589	\$ 8,928
Transfers from Unrestricted net assets	1,768	564	- - -	660	2,992	23,573
Expenditures	(2,279)	(842)	(2,452)	- - -	(5,573)	(3,912)
Net transfers from (to) Unrestricted net assets	\$ (511)	\$(278)	\$(2,452)	\$ 660	\$(2,581)	\$19,661
Balance, end of year	<u>\$ 7,524</u>	<u>\$ 564</u>	<u>\$ 5,258</u>	<u>\$12,662</u>	<u>\$26,008</u>	<u>\$28,589</u>

Replacement Reserve

The Corporation makes an internal restriction of net assets each year to provide for replacement of appliances and for building renovations. As expenditures are incurred they are charged to the reserve balance. For 1998 the expenditures exceeded the annual provision by \$511,000 (1997 -\$893,000).

Rejuvenation Commitments

The Corporation and public housing authorities controlled by the Corporation enter into contracts for rejuvenation of housing projects. An internal restriction of net assets has been made to reflect outstanding commitments under rejuvenation contracts as of December 31, 1998.

Northern Initiatives

Pursuant to a multi-year strategy for the delivery of housing initiatives in northern Saskatchewan, net assets have been internally restricted to provide forgivable loans to low income families and to developers for the construction of home ownership and rental accommodation, respectively, and to enable low income homeowners to undertake necessary home repairs.

Risk Reserve

Federal contributions in 1997 included a one-time payment of \$11,700,000, as provided for in the Social Housing Agreement between CMHC and the Corporation. This amount plus interest has been internally restricted for mitigating operating risks associated with the Corporation's financial responsibility for housing programs transferred from CMHC pursuant to the Agreement, and for mitigating property risks associated with housing projects owned by the Corporation.

Saskatchewan Housing Corporation **Notes to Consolidated Financial Statements**

December 31, 1998

NOTE 11: FINANCIAL INSTRUMENTS **(thousands)**

Fair value of financial instruments

The fair value of financial instruments represents an approximation of amounts that would have been received or paid, calculated at the reporting date, to settle these instruments prior to maturity. Carrying amounts of financial instruments represent actual amounts recorded in the consolidated balance sheet.

The fair value of cash and cash equivalents, accounts receivable, short-term indebtedness, and accounts payable and accruals approximates the carrying amount of these instruments due to the short period to maturity.

For other financial instruments, the carrying amounts and fair values are as follows (thousands):

	1998		1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Mortgages and loans	\$ 3,996	\$ 4,020	\$ 10,107	\$ 10,205
Long-term debt	\$197,721	\$226,406	\$230,307	\$274,365
Loan guarantees (note 14)	\$ ---	\$ ----	\$ ----	\$ ----

The fair value of mortgages and loans, other than impaired accounts, is based on the present value of future cash flows discounted at the December 31 market rate of interest for like instruments with a similar term to renewal or maturity, as applicable. For impaired mortgages and loans, fair value approximates the carrying amount.

The fair value of long-term debt is based on the present value of future cash flows discounted at the December 31 market rate of interest for Province of Saskatchewan or Government of Canada debt instruments with a similar maturity date, as applicable.

The fair value of loan guarantees is not reported as it is not practically determinable, since there is no market for these guarantees.

Saskatchewan Housing Corporation

Notes to Consolidated Financial Statements

December 31, 1998

NOTE 11: FINANCIAL INSTRUMENTS, CONTINUED *(thousands)*

Credit risk

Accounts receivable consist primarily of amounts due from CMHC, federal Goods and Services Tax rebates, and amounts due from non-profit housing sponsors, which in aggregate represent 65% (1997 - 73%) of balances outstanding.

Credit risk arises from the possibility that tenants might be unable to fulfill their lease commitments. Public housing authorities mitigate this risk by conducting rental reference checks prior to tenant placement, through well defined procedures for addressing rent arrears, and by limiting the exposure to credit loss for any one tenant.

Loan guarantees provided by the Corporation are in respect of loans advanced to individual homeowners residing in locations throughout the province, except for loans totalling \$3,430,000 (1997 - \$3,576,000) which were advanced to the sponsors of certain seniors housing projects. Guaranteed loans are being amortized through monthly payments and mature at various dates to the year 2000 (Home Improvement Program loans) and to the year 2023 (Saskatchewan Mortgage Guarantee Program loans). Losses relating to loan defaults are not significant to the Corporation's 1998 consolidated operations.

Interest rate risk

The interest rate on most mortgages and loans is renewed annually, except for impaired loans and certain residential rehabilitation loans, which were written at a fixed interest rate of 8.875% and mature over a period ending in the year 2002. Interest rates on 1998 renewals ranged from 6.20% to 6.95% (1997 - 5.05% to 5.94%).

NOTE 12: OPERATING EXPENDITURES *(thousands)*

	1998	1997
Maintenance and rejuvenation	\$29,549	\$34,557
Property taxes	14,236	14,158
Utilities	11,622	11,994
Other operating	21,758	21,884
	<u>\$77,165</u>	<u>\$82,593</u>

Saskatchewan Housing Corporation **Notes to Consolidated Financial Statements**

December 31, 1998

NOTE 13: INTEREST EXPENSE **(thousands)**

	1998	1997 (Restated - note 18)
Interest incurred	\$28,195	\$32,764
Less: Interest income	(1,755)	(2,526)
Interest capitalized	(1,264)	(1,183)
	\$25,176	\$29,055

NOTE 14: CONTINGENCIES

Home Improvement Loan Program

From 1986 to 1990 the Corporation provided loan guarantees to lenders pursuant to the Home Improvement Loan Program. Loans are guaranteed to a maximum of \$10,000 and are amortized over periods not exceeding ten years. As at December 31, 1998 a total of 7,595 (1997 - 17,392) loan guarantees were in effect, and the outstanding balance of loans guaranteed was \$4,473,000 (1997 - \$16,821,000).

Saskatchewan Mortgage Guarantee Program

During 1986 and 1987 the Corporation provided mortgage guarantees to lenders financing certain new housing construction. As at December 31, 1998 a total of 126 (1997 - 155) mortgage guarantees were in effect, and the outstanding balance of mortgages guaranteed was \$9,225,000 (1997 - \$11,248,000).

NOTE 15: UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems might recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems might arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue might be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting might range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of housing sponsors, suppliers or other third parties, will be fully resolved.

Saskatchewan Housing Corporation **Notes to Consolidated Financial Statements**

December 31, 1998

NOTE 16: COMMITMENTS

The Corporation had the following commitments as at December 31, 1998:

- (a) Housing project acquisitions of \$2,392,000;
- (b) Land development expenditures of \$3,219,000;
- (c) Rejuvenation expenditures of \$564,000;
- (d) Grants and subsidies:

The Corporation has issued commitments under various programs for one-time or ongoing assistance to individual homeowners, developers, landlords, cooperatives and non-profit sponsors of housing. Certain of the agreements for ongoing assistance have terms of up to 35 years. As at December 31, 1998 the Corporation's commitments for one-time assistance totalled \$4,661,000. An estimate of the cost of ongoing assistance for the next five years is as follows (thousands):

1999	2000	2001	2002	2003
\$24,600	\$24,400	\$24,200	\$23,900	\$23,900

Uncertainty regarding future interest rates and other economic factors precludes reasonable estimation of the Corporation's obligations for ongoing assistance beyond a five-year period.

NOTE 17: RELATED PARTY TRANSACTIONS

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, and boards related to the Corporation by virtue of common control by the Government of Saskatchewan.

Transactions with related parties in the normal course of operations are settled at prevailing market prices under normal trade terms. These transactions are not significant to the Corporation's consolidated operations or financial position except as described below.

Expenditures include services provided by Saskatchewan Power Corporation (SaskPower) totalling \$4,195,000 (1997 - \$4,405,000) and services provided by SaskEnergy Incorporated (SaskEnergy) totalling \$3,301,000 (1997 - \$3,432,000). Investment in land includes SaskPower charges of \$41,000 (1997 - \$14,000) and SaskEnergy charges of \$23,000 (1997 - \$11,000). Accounts payable and accruals includes \$207,000 (1997 - \$211,000) payable to SaskPower and \$194,000 (1997 - \$199,000) payable to SaskEnergy.

The Corporation pays Saskatchewan Education and Health Tax on all its taxable purchases. Taxes paid are recorded as part of the cost of such purchases.

Saskatchewan Housing Corporation Notes to Consolidated Financial Statements

December 31, 1998

NOTE 17: RELATED PARTY TRANSACTIONS, CONTINUED

Interest expense incurred includes interest charges of \$26,814,000 (1997 - \$31,849,000) on long-term advances repayable to the General Revenue Fund. Accrued interest payable to the General Revenue Fund at December 31, 1998 totalled \$5,737,000 (1997 - \$6,746,000).

The Department of Municipal Affairs, Culture and Housing provides management services to the Corporation at no charge, except for amounts chargeable to housing operations in accordance with agreements between SHC and CMHC; such charges are based upon the Department's actual costs. These charges totalled \$4,434,000 (1997 - \$5,199,000) and are included in Expenditures. As at December 31, 1998, Accounts payable and accruals included \$1,301,000 (1997 - \$549,000) payable to the Department of Municipal Affairs, Culture and Housing on account of the above charges, as well as other administrative recoveries.

During 1998 the Department of Municipal Affairs, Culture and Housing paid \$150,000 (1997 - \$19,000) to satisfy the Corporation's subsidy obligations under the Home Improvement Program.

Other transactions with and amounts due to related parties are described separately in these consolidated financial statements and the notes thereto.

NOTE 18: PREMIUM ON EARLY RETIREMENT OF LONG-TERM DEBT

During 1998 the Corporation paid a premium of \$5,504,000 (1997 - \$5,767,000) to the Department of Finance upon early retirement of certain advances from the General Revenue Fund. The transaction was recorded at the carrying amount of the debt and the premium was charged directly to Unrestricted Net Assets, in accordance with accounting standards for measurement of related party transactions, as issued by the Canadian Institute of Chartered Accountants. Previously, similar transactions were recorded at the exchange amount and the premium was included in Interest expense. The effect of this change in the accounting for debt retirement transactions, which has been retroactively applied, is to decrease Interest expense and increase Net operations for 1997 by \$5,767,000, and to increase cash provided by Operating Activities and increase cash used in Financing Activities for 1997 by the same amount of \$5,767,000.

NOTE 19: COMPARATIVE INFORMATION

Certain 1997 financial information has been reclassified to conform with the 1998 presentation.

AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the statement of financial position of Saskatchewan Property Management Corporation as at March 31, 1999, and the statements of revenue, expenses and net assets and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1999, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan,
May 7, 1999.

Ernst & Young LLP

Chartered Accountants

Saskatchewan Property Management Corporation
Statement of Financial Position

As at March 31

(Thousands of dollars)

	<u>1999</u>			<u>1998</u>
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>	<u>Total</u>
				(Restated Note 2)
Assets				
Real estate investments (note 4)	30,854	328,343	359,197	368,394
Equipment (note 5)	11	39,432	39,443	45,070
Other assets (note 6)	7,882	—	7,882	7,472
Accounts receivable	17,623	4,486	22,109	21,916
Cash and marketable securities	<u>1,767</u>	<u>—</u>	<u>1,767</u>	<u>3,501</u>
	<u>58,137</u>	<u>372,261</u>	<u>430,398</u>	<u>446,353</u>
Liabilities and net assets				
Capital lease obligations (note 7)	52,737	—	52,737	54,324
Accounts payable	16,921	2,515	19,436	19,429
Deferred capital contributions (note 8)	<u>—</u>	<u>281,703</u>	<u>281,703</u>	<u>289,910</u>
	69,658	284,218	353,876	363,663
Net assets	<u>(11,521)</u>	<u>88,043</u>	<u>76,522</u>	<u>82,690</u>
	<u>58,137</u>	<u>372,261</u>	<u>430,398</u>	<u>446,353</u>
Commitments and contingencies (notes 7, 11 and 15)				

(See accompanying notes)

Saskatchewan Property Management Corporation**Statement of Revenue, Expenses and Net Assets***For the year ended March 31**(Thousands of dollars)*

	1999				1998
	Operating	Capital	Total	Budget (Note 10)	Total (Restated Note 2)
Revenue (notes 8 and 13)					
Accommodation	92,860	16,925	109,785	105,826	106,606
Vehicles	22,992	—	22,992	23,029	21,027
Grants	23,948	250	24,198	19,354	18,979
Other services	<u>24,894</u>	<u>227</u>	<u>25,121</u>	<u>22,799</u>	<u>21,240</u>
	<u>164,694</u>	<u>17,402</u>	<u>182,096</u>	<u>171,008</u>	<u>167,852</u>
Expenses					
Lease	29,436	—	29,436	30,246	29,091
Property management (note 9)	71,466	—	71,466	65,309	55,686
Interest - capital lease	6,152	—	6,152	6,621	6,465
Depreciation	3,210	25,762	28,972	28,130	27,958
General operations (note 9)	<u>52,049</u>	<u>—</u>	<u>52,049</u>	<u>53,104</u>	<u>45,001</u>
	<u>162,313</u>	<u>25,762</u>	<u>188,075</u>	<u>183,410</u>	<u>164,201</u>
Excess of revenue (expenses) before the following:	2,381	(8,360)	(5,979)	(12,402)	3,651
Gain (loss) on capital assets	<u>(147)</u>	<u>(542)</u>	<u>(689)</u>	<u>(100)</u>	<u>1,524</u>
Excess of revenue (expenses)	<u>2,234</u>	<u>(8,902)</u>	<u>(6,668)</u>	<u>(12,502)</u>	<u>5,175</u>
Net assets, beginning of year as previously reported	(10,051)	382,651	372,600		381,886
Change in accounting policy (note 2)	<u>—</u>	<u>(289,910)</u>	<u>(289,910)</u>		<u>(304,371)</u>
Net assets, beginning of year, as restated	(10,051)	92,741	82,690		77,515
Contribution of land from the Government of Saskatchewan - General Revenue Fund	—	500	500		—
Transfer between funds	<u>(3,704)</u>	<u>3,704</u>	<u>—</u>		<u>—</u>
Net assets, end of year	<u>(11,521)</u>	<u>88,043</u>	<u>76,522</u>		<u>82,690</u>

(See accompanying notes)

Saskatchewan Property Management Corporation
Statement of Cash Flows
For the year ended March 31
(Thousands of dollars)

	<u>1999</u>	<u>1998</u> (Restated Note 2)
Operating activities		
Excess of revenue (expenses)	(6,668)	5,175
Non-cash items affecting operations		
Depreciation	28,972	27,958
Amortization of deferred capital contributions	(17,402)	(17,279)
(Gain) loss on capital assets	689	(1,524)
Net change in accounts receivable, other assets and accounts payable	<u>1,260</u>	<u>(373)</u>
	<u>6,851</u>	<u>13,957</u>
Investing activities		
Purchases of capital assets	(12,730)	(15,161)
Proceeds on sale of capital assets	<u>2,387</u>	<u>3,650</u>
	<u>(10,343)</u>	<u>(11,511)</u>
Financing activities		
Proceeds of deferred capital contributions	4,739	13
Repayment of capital lease obligations	<u>(2,981)</u>	<u>(2,975)</u>
	<u>1,758</u>	<u>(2,962)</u>
Decrease in cash and marketable securities	(1,734)	(516)
Cash and marketable securities, beginning of year	<u>3,501</u>	<u>4,017</u>
Cash and marketable securities, end of year	<u>1,767</u>	<u>3,501</u>
 Cash and marketable securities consist of:		
Cash (bank overdraft)	(2,473)	503
Marketable securities with maturities less than 30 days [5.16% (1998 - 4.83%)]	<u>4,240</u>	<u>2,998</u>
	<u>1,767</u>	<u>3,501</u>

(See accompanying notes)

Saskatchewan Property Management Corporation**Notes to the Financial Statements***March 31, 1999**(Thousands of dollars)***1. Status of the corporation**

The Saskatchewan Property Management Corporation (SPMC, the corporation) was established under *The Crown Corporations Act, 1978*, by Order-in-Council #357-86 of 1986, and continues under *The Saskatchewan Property Management Corporation Act*. By virtue of *The Crown Corporations Act, 1993*, SPMC has been designated as a provincial Treasury Board Crown corporation. Accordingly, the financial results of the corporation are included in the summary financial statements of the Province of Saskatchewan. As a provincial Crown corporation, SPMC is not subject to federal income tax, provincial income tax, federal large corporations tax or goods and services tax.

The corporation was established to provide a full range of accommodation, commercial and custodial services to government departments, agencies and Crown corporations.

2. Change in accounting policy

During the year, the Canadian Institute of Chartered Accountants implemented changes to generally accepted accounting principles that impacted the accounting policy used by the corporation when accounting for contributions received from the Government of Saskatchewan - General Revenue Fund. As a result, the corporation changed its accounting policy for revenue recognition in the Capital fund. Contributions from the Government of Saskatchewan - General Revenue Fund for the construction, purchase or development of depreciable capital assets, including assets transferred to the corporation, are recorded as deferred capital contributions. This amount is amortized to revenue on the same basis as the related asset. Previously, the corporation recognized revenue when the contributions were received or receivable except for contributions of capital assets from the Government of Saskatchewan - General Revenue Fund that were recognized as direct increases to the net asset balance. The change in accounting policy has been applied retroactively and the 1998 financial statements have been restated.

The effect of the change in accounting policy on the capital fund is to increase revenue and excess of revenue (expenses) by 8,706 (1998 – 16,822), increase deferred capital contributions by 281,703 (1998 – 289,910). Net assets, beginning of year, is reduced by 289,910 (1998 – 304,371). Net assets, end of year, is reduced by 281,703 (1998 – 289,910).

3. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

a) Fund accounting

The corporation's financial position and operating activities have been divided into the following major groupings:

i) Operating fund

The Operating fund includes net assets and income generated from the operations of the corporation. The Operating fund includes the capital assets under capital lease. Revenue includes charges for accommodation and commercial services and grants received from the Government of Saskatchewan - General Revenue Fund for custodial services. Expenses relate to the delivery of these services.

ii) Capital fund

The Capital fund includes the capital assets to which the corporation has legal title. Revenue consists of the annual amortized portion (Note 3(b)) of contributions received from the Government of Saskatchewan - General Revenue Fund for the construction, purchase or development of capital assets.

b) Revenue recognition - Capital fund

Contributions received or receivable from the Government of Saskatchewan - General Revenue Fund for the construction, purchase or development of depreciable capital assets, including assets transferred from the Government of Saskatchewan - General Revenue Fund, are deferred and amortized to revenue on the same basis as the related capital asset. Contributions received from the Government of Saskatchewan - General Revenue Fund for the purchase or development of non-depreciable capital assets such as land, including non-depreciable capital assets transferred from the Government of Saskatchewan - General Revenue Fund, are recognized as direct increases in the net asset balance in the year of acquisition.

Other amounts received or receivable from other sources during construction or development reduce the cost of the related asset.

c) Capital assets

i) Real estate investments

Properties contributed by the Government of Saskatchewan - General Revenue Fund are stated at appraised value approximating the government's depreciated historical cost at the date of transfer, determined by techniques generally accepted in the appraisal industry. Properties purchased or constructed by the corporation are stated at cost.

Properties acquired under capital lease arrangements are stated at the lesser of the present value of the minimum lease payments and the fair market value of the leased property.

The corporation capitalizes all direct costs relating to projects under construction including general, administrative and interest expenses.

Depreciation on properties is recorded on a straight-line basis over their estimated useful lives. The estimated useful lives of properties are between one and 55 years. The average estimated useful life approximates 20 years.

ii) **Equipment**

Equipment contributed by the Government of Saskatchewan - General Revenue Fund is stated at depreciated historical cost at the date of transfer. Furniture and equipment purchased by the corporation is stated at cost. The corporation capitalized all direct costs relating to the development of a geographic information system including general, administrative and interest expense.

Depreciation on equipment, furniture and geographic information system development costs is recorded on a straight-line basis over the estimated useful life of the asset. The estimated useful lives range from two to 10 years.

Capital assets that can no longer be used by the corporation for their intended purpose are written down to net realizable value.

d) **Inventories**

Inventories are stated at the lower of cost and replacement cost as determined on a first in, first out basis.

4. Real estate investments

	1999			1998
	Land	Buildings	Total	Total
Operating fund				
In operation - under capital lease	—	66,629	66,629	65,243
Accumulated depreciation	—	(35,775)	(35,775)	(32,580)
	<u>—</u>	<u>30,854</u>	<u>30,854</u>	<u>32,663</u>
Capital fund				
In operation	46,462	454,888	501,350	501,068
Under construction	500	9,559	10,059	2,430
Held for disposal	<u>25</u>	<u>302</u>	<u>327</u>	<u>327</u>
	46,987	464,749	511,736	503,825
Accumulated depreciation	—	(183,393)	(183,393)	(168,094)
	<u>46,987</u>	<u>281,356</u>	<u>328,343</u>	<u>335,731</u>
	<u>46,987</u>	<u>312,210</u>	<u>359,197</u>	<u>368,394</u>

During 1999, the carrying value of real estate investments was reduced by 259 (1998 - 80) to reflect the reduced value of assets that can no longer be used by the corporation for their intended purpose.

5. Equipment

	<u>1999</u>			<u>1998</u>
	Cost	Accumulated Depreciation	Total	Total
Operating fund				
Other	<u>14</u>	<u>(3)</u>	<u>11</u>	<u>14</u>
Capital fund				
Vehicles	56,136	(34,375)	21,761	22,882
Aircraft	8,039	(2,100)	5,939	6,689
Geographic information system	14,209	(4,196)	10,013	12,874
Furniture	3,760	(3,130)	630	1,132
Other	<u>9,364</u>	<u>(8,275)</u>	<u>1,089</u>	<u>1,479</u>
	<u>91,508</u>	<u>(52,076)</u>	<u>39,432</u>	<u>45,056</u>
	<u>91,522</u>	<u>(52,079)</u>	<u>39,443</u>	<u>45,070</u>

During the year, the carrying value of equipment was reduced by 221 (1998 - nil) to reflect the reduced value of assets that can no longer be used by the corporation for their intended purpose.

In 1998, 432 received from third parties was applied to reduce the cost of the geographic information system prior to substantial completion of the project. Of the amounts received during 1998, 394 was received from related departments, agencies, corporations and public institutions.

6. Other assets

	<u>1999</u>	<u>1998</u>
Inventories of parts and supplies	4,776	3,959
Prepaid expenses	<u>3,106</u>	<u>3,513</u>
	<u>7,882</u>	<u>7,472</u>

7. Capital and operating lease obligations

Future minimum lease payments under capital and operating leases are:

Fiscal year	Capital leases	Operating leases
1999-00	12,610	26,818
2000-01	12,503	22,615
2001-02	12,523	19,212
2002-03	12,263	17,260
2003-04	11,870	14,667
Subsequently	<u>68,546</u>	<u>41,409</u>
	<u>130,315</u>	<u>141,981</u>
Less:		
Interest implicit in leases at an average rate of 12.62%	41,676	
Executory costs	<u>35,902</u>	
	<u>77,578</u>	
	<u>52,737</u>	

Capital leases expire at various dates up to May 31, 2012.

8. Deferred capital contributions

	<u>1999</u>	<u>1998</u>
Balance, beginning of year	289,910	304,371
Contributions received or receivable from the Government of Saskatchewan - General Revenue Fund	9,195	2,818
Contributions amortized to revenue	<u>(17,402)</u>	<u>(17,279)</u>
Balance, end of year	<u>281,703</u>	<u>289,910</u>

9. Expenses by object

Property management and general operations expenses on the Statement of Revenue, Expenses and Fund Balances are reported by object as follows:

	<u>1999</u>	<u>1998</u>
Salaries and benefits	36,636	34,144
Goods and services for resale	37,999	33,401
Utilities	10,768	9,490
Property maintenance	7,286	8,105
Other property management	23,936	8,803
Other general operations	<u>6,890</u>	<u>6,744</u>
Total property management and general operations expenses	<u>123,515</u>	<u>100,687</u>

10. Comparison of budget and actual results

The Board of Directors approves the corporation's budget. The budget disclosed in the financial statements is restated to the accrual basis for comparative purposes.

Treasury Board and the Legislative Assembly approve the level of grant funding provided to the corporation.

11. Commitments

At March 31, 1999 the corporation has construction and capital purchase commitments of 34,020 (1998 - 19,439).

12. Pensions

Substantially all employees of the corporation are participants in either defined contribution or defined benefit pension plans.

Employees hired after October 1, 1977, make contributions to the Public Employees Pension Plan, a defined-contribution plan. Funding requirements are established by *The Superannuation (Supplementary Provisions) Act* and employee contributions are matched by the corporation.

Employees hired prior to October 1, 1977, who did not elect to transfer to the Public Employees Pension Plan by October 1, 1978, make contributions to the Public Service Superannuation Plan, a defined-benefit plan. The plan provides for pensions at retirement which are based on employees' years of service and their highest five years' earnings. The corporation does not make contributions to this plan. Pension obligations for this plan are the responsibility of the Government of Saskatchewan - General Revenue Fund.

13. Related party transactions

The corporation receives substantially all of its revenues from Saskatchewan Crown-controlled departments, agencies, corporations and public institutions. These revenues are determined primarily on the basis of recovery of costs incurred by the corporation. As a result, substantially all of the corporation's year-end accounts receivable are due from related departments, agencies, corporations and public institutions.

The corporation's financial statements include expenses such as rents, vehicle licenses, electrical and natural gas, telecommunication and data line (network) purchases, and employee benefit costs that result from routine operating transactions conducted at agreed upon rates with various related Saskatchewan Crown-controlled departments, agencies, corporations and public institutions.

The account balances resulting from purchases with related parties are included in the statement of financial position and are settled in normal trade terms. These transactions and amounts outstanding at year-end are as follows:

13. Related party transactions (continued)

	<u>1999</u>	<u>1998</u>
Statement of Financial Position		
Capital lease obligations	8,709	8,938
Accounts payable	3,511	4,533
Statement of Revenue, Expenses and Net Assets		
Lease	1,849	2,391
Property management	10,188	9,490
Interest - capital lease	1,349	1,382
General operations	5,369	4,264

Other amounts payable to related parties and the terms of settlement are disclosed separately in these financial statements.

14. Financial instruments

	<u>1999</u>	<u>1998</u>
Capital lease obligations		
Carrying amount	52,737	54,324
Fair value	69,442	75,336

The fair value of the corporation's capital lease obligations is determined using year-end market rates. The carrying value of all other financial instruments including cash and marketable securities, accounts receivable and accounts payable approximates fair value as a result of the short period to maturity.

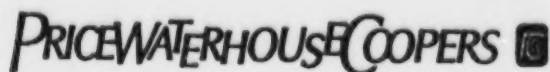
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. SPMC is not exposed to significant credit risk. The majority of the corporation's accounts receivable are owing from Saskatchewan Crown-controlled departments, agencies, corporations and public institutions.

15. Uncertainty related to the year 2000 issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. The effects of the year 2000 issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 issue affecting the corporation, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

16. Subsequent event

On October 1, 1999, the assets, liabilities and operations of SaskGeomatics division will be transferred to the Saskatchewan Land Information Services Corporation, a related party.



June 1, 1999

Auditors' Report

To the Members of the Legislative
Assembly Province of Saskatchewan

We have audited the statement of financial position of Saskatchewan Wetland Conservation Corporation as at March 31, 1999 and the statements of revenue, expenditures and funds available for future operations and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles described in note 2.

PricewaterhouseCoopers LLP

Chartered Accountants

Saskatchewan Wetland Conservation Corporation

Statement of Financial Position

As at March 31, 1999

	1999 \$	1998 \$
Assets		
Current assets		
Cash	229,636	280,544
Accounts receivable	341,547	181,096
Prepaid expenses	9,760	3,349
	<u>580,943</u>	<u>464,989</u>
Capital assets, at cost (note 4)	5,375,199	5,369,672
Less: Accumulated depreciation	<u>173,652</u>	<u>154,421</u>
	<u>5,201,547</u>	<u>5,215,251</u>
	<u>5,782,490</u>	<u>5,680,240</u>
Liabilities and Fund Balance		
Current liabilities		
Accounts payable	135,621	69,332
Deferred revenue	<u>159,169</u>	<u>114,902</u>
	294,790	184,234
Investment in capital assets	5,201,547	5,215,251
Funds available for future operations	<u>286,153</u>	<u>280,755</u>
	<u>5,782,490</u>	<u>5,680,240</u>

Approved by the Board of Directors

Betty Collins Director

JR Janse Director

PRICEWATERHOUSECOOPERS 

Saskatchewan Wetland Conservation Corporation

Statement of Revenues, Expenditures and Funds Available for Future Operations

For the year ended March 31, 1999

	Budget (unaudited - see note 9) \$	1999 \$	1998 \$
Revenue			
Canadian			
Government of Saskatchewan			
- General Revenue Fund	517,000	505,000	514,000
- Fish and Wildlife Development Fund	151,029	52,328	74,652
- Conservation Data Centre	-	-	6,000
Canadian Wildlife Service	500,500	507,000	524,200
Prairie Farm Rehabilitation Administration	107,590	103,243	52,629
Environment Canada	124,436	101,108	142,524
Agriculture Institute of Management in Saskatchewan Inc.	14,710	14,710	12,600
Wildlife Habitat Canada	35,000	13,500	58,613
Other Canadian	240,518	197,001	66,577
United States			
United States Fish and Wildlife Service	188,586	173,237	128,604
United States - State	82,072	60,510	63,261
United States - Other	107,542	54,960	72,457
National Fish and Wildlife Foundation	80,100	88,033	43,183
	2,149,083	1,870,630	1,759,300
Other income (note 5)	38,700	46,337	42,185
	2,187,783	1,916,967	1,801,485
Expenditures			
Program (Schedule 1)			
Agricultural services	113,350	88,304	119,899
Biological services	198,033	181,775	138,868
Communications and marketing	214,061	195,435	234,265
International programs	93,695	110,490	-
Prairie shores	271,250	215,020	222,497
Program co-ordination	339,500	326,165	295,472
Program development	77,000	76,294	89,916
Stewardship	494,944	329,572	308,131
	1,801,833	1,523,055	1,409,048
Other			
Capital asset acquisitions	-	5,526	24,050
Payments to delivering partners	385,950	382,988	291,571
Restructuring costs	-	-	6,984
	2,187,783	1,911,569	1,731,653
Excess of revenue over expenditures for the year	-	5,398	69,832
Funds available for future operations at beginning of year	280,755	280,755	210,923
Funds available for future operations at end of year	280,755	286,153	280,755

Saskatchewan Wetland Conservation Corporation

Statement of Cash Flows

For the year ended March 31, 1999

	1999 \$	1998 \$
Cash flows from operating activities		
Excess of revenue over expenditures for the year	5,398	69,832
Net change in non-cash working capital items (note 6)	(56,306)	(78,883)
Decrease in cash during the year	(50,908)	(9,051)
Cash - Beginning of year	280,544	289,595
Cash - End of year	229,636	280,544

Saskatchewan Wetland Conservation Corporation

Notes to Financial Statements

March 31, 1999

1 Incorporation and reporting of Saskatchewan Wetland Conservation Corporation

Saskatchewan Wetland Conservation Corporation was incorporated by Order-in-council December 21, 1989 under the Crown Corporations Act, 1978. The corporation's mandate under the incorporation Order-in-council is to co-ordinate the delivery of the North American Waterfowl Management Plan in Saskatchewan. The North American Waterfowl Management Plan was formally adopted on May 14, 1986 by the Federal Governments of Canada and the United States as a plan for conservation of internationally shared waterfowl resources.

Under the authority of Order-in-council No. 29/90 dated January 10, 1990, Saskatchewan Wetland Conservation Corporation holds responsibility to co-ordinate or account for the collection and disbursements of monies related to programs or activities undertaken in Saskatchewan pursuant to the North American Waterfowl Management Plan. These financial statements report only those monies designated to be collected and distributed through the accounts of the corporation.

2 Summary of significant accounting policies

This summary of significant accounting policies provides a description of the accounting methods and practices that have been used in the preparation of these financial statements.

General principles

The corporation has adopted the accrual basis of accounting.

Capital assets

Capital asset acquisitions are expensed during the year of purchase. To maintain accountability for these capital assets, the cost, net of a charge for depreciation, is reflected on the statement of financial position as an asset with an offsetting equity balance. Charges for depreciation are based on the declining-balance method at rates ranging from 20% to 30%.

Donated property is recorded at fair value when the fair value can be reasonably determined. When an estimate of fair value can not reasonably be made, the capital asset is recorded at nominal value.

3 Related party transaction

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end, are as follows:

Saskatchewan Wetland Conservation Corporation

Notes to Financial Statements

March 31, 1999

	1999 \$	1998 \$
Revenue	566,421	613,386
Expenses	159,720	119,358
Accounts receivable	7,142	5,478
Accounts payable and accrued liabilities	4,124	29,134
Deferred revenue	23,701	26,029

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

4 Capital assets

	1999		1998	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Land	6,000	—	6,000	6,000
Donated land and transfers	5,141,589	—	5,141,589	5,141,589
Equipment and furniture	82,531	62,862	19,669	24,587
ATV and trailers	63,533	56,015	7,518	10,739
Computer equipment	80,656	54,775	25,881	31,446
Artwork	890	—	890	890
	5,375,199	173,652	5,201,547	5,215,251

5 Other income

Other income is comprised as follows:

	1999 \$	1998 \$
Interest earned	22,776	18,832
Miscellaneous revenues including exchange gain	2,375	6,474
Crown land fees and permits	21,186	16,879
	46,337	42,185

Saskatchewan Wetland Conservation Corporation

Notes to Financial Statements

March 31, 1999

6 Net change in non-cash working capital items

	1999 \$	1998 \$
Accounts receivable	(160,451)	(66,320)
Prepaid expenses	(6,411)	(1,894)
Accounts payable	66,289	(51,912)
Deferred revenue	44,267	41,243
	<u>(56,306)</u>	<u>(78,883)</u>

7 Financial instruments

The Corporation's recognized financial instruments consist of cash, accounts receivable and accounts payable. Due to the short term nature of these instruments, their fair value approximates their carrying value.

8 Uncertainty due to the Year 2000 Issue

Many computerized systems use two digits rather than four to identify a year. Errors may occur in sensitive systems when information using year 2000 dates is processed or if certain dates in 1999 are used to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal business operations. It is not possible to be certain that all aspects of this issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

9 Budget figures

The budget figures are presented for comparison purposes, are unaudited, and are those as approved by the Board, reclassified to conform with the presentation of these financial statements.

10 Comparative figures

Certain prior year amounts have been reclassified to conform with current year presentation.

Saskatchewan Wetland Conservation Corporation

Schedule 1 - Program Expenditures

For the year ended March 31, 1999

	Departments							Year ended March 31	
	Agricultural services	Biological services	Communication and marketing	International programs	Prairie shores	Program co-ordination	Program development	Stewardship	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Contractual services	3,511	53,251	45,907	13,427	48,281	847	-	109,068	274,292
Field supplies	6,609	13,389	501	1,521	27,479	78	28	38,175	87,780
General expenses	4,470	3,343	28,585	38,627	6,304	39,917	627	18,255	140,128
Office expenses	16,905	8,742	10,538	3,303	410	50,607	1,861	6,895	99,261
Salaries and benefits	47,875	94,965	100,850	45,052	122,474	210,945	71,577	139,495	833,233
Travel and other									
staff costs	8,934	8,085	9,054	8,560	10,072	23,771	2,201	17,684	88,361
	88,304	181,775	195,435	110,490	215,020	326,165	76,294	329,572	1,523,055
									1,409,048

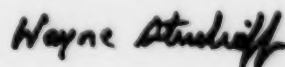
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Doukhobors of Canada C.C.U.B. Trust Fund Board as at May 31, 1998 and the statement of revenue, expenditure and unrestricted fund balance for the year then ended. The Board's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at May 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
January 22, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

DOUKHOBORS OF CANADA C.C.U.B. TRUST FUND BOARD
BALANCE SHEET
As at May 31

	<u>1998</u>	<u>1997</u>
ASSETS		
Cash in bank	\$ 653	\$ 1,100
Investments (Schedule 1)	285,727	283,564
Accrued interest receivable	<u>8,756</u>	<u>10,780</u>
Total assets	<u><u>\$ 295,136</u></u>	<u><u>\$ 295,444</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 1,181	\$ 1,265
Fund Balance		
Restricted (Note 3)	267,500	267,500
Unrestricted (Statement 2)	<u>26,455</u>	<u>26,679</u>
Total fund balance	<u>293,955</u>	<u>294,179</u>
Total liabilities and fund balance	<u><u>\$ 295,136</u></u>	<u><u>\$ 295,444</u></u>

(See accompanying notes to the financial statements)

Statement 2

DOUKHOBORS OF CANADA C.C.U.B. TRUST FUND BOARD
STATEMENT OF REVENUE, EXPENDITURE AND
UNRESTRICTED FUND BALANCE
For the Year Ended May 31

	<u>1998</u>	<u>1997</u>
REVENUE:		
Investment interest	\$ 19,268	\$ 22,155
EXPENDITURE:		
Grants	14,684	17,873
Board expenses	3,219	3,312
Sundry expenses	<u>1,589</u>	<u>1,094</u>
Total expenditure	<u>19,492</u>	<u>22,279</u>
Excess of revenue over expenditure for the year	(224)	(124)
Unrestricted Fund, beginning of year	<u>26,679</u>	<u>26,803</u>
Unrestricted Fund, end of year (Statement 1)	<u><u>\$ 26,455</u></u>	<u><u>\$ 26,679</u></u>

(See accompanying notes to the financial statements)

DOUKHOBORS OF CANADA C.C.U.B. TRUST FUND BOARD
NOTES TO THE FINANCIAL STATEMENTS
May 31, 1998

1. Significant Accounting Policies

The financial statements are prepared on the accrual basis of accounting and include the following significant accounting policies:

a) Investments

Investments are recorded at amortized cost. Premiums/discounts are amortized over the term of the investment. Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss.

b) Grant Commitments

Grant commitments are recorded as expenditures when approved by the Board. Should any grants committed remain unpaid at the year end they are reflected as a liability on the balance sheet.

2. Incorporation

The Doukhobors of Canada C.C.U.B. Trust Fund Board was incorporated under *The Doukhobors of Canada C.C.U.B. Trust Fund Act*. This Act came into force by proclamation of the Lieutenant Governor on June 29, 1980. On June 3, 1982, by Order in Council #882 the Lieutenant Governor in Council appointed a chairman and a vice-chairman of the Board, and the Board commenced operations.

The purpose of the Board is to administer the Doukhobors of Canada C.C.U.B. Trust Fund and to make grants from this Fund to recognized non-profit organizations which are dedicated to establishing and maintaining the heritage and culture of the Doukhobors of Canada.

3. Restricted Fund Balance

The Fund was initially created from surplus funds arising out of the liquidation of assets of the C.C.U.B. Ltd. in the amount of \$222,078 plus interest of \$45,422 totalling \$267,500. According to *The Doukhobors of Canada C.C.U.B. Trust Fund Act* only the investment income on this \$267,500 will be made available for expenditure by the Board.

Schedule 1

DOUKHOBORS OF CANADA C.C.U.B. TRUST FUND BOARD
SCHEDULE OF INVESTMENTS
As at May 31, 1998

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Cost</u>
Sask. Svgs. Bond Ser. 6	4%	July 15/02	\$ 48,400
Kamsack Credit Union - Term Deposit	6%	Oct. 20/98	\$ 5,000
Province of Saskatchewan	9 7/8%	July 6/99	\$ 40,650
Province of Ontario	8 %	Mar. 11/03	\$ 45,787
Province of Quebec	7 1/2%	Dec. 1/03	\$ 44,871
Province of Alberta	6 3/8%	June 1/04	\$ 49,228
Farm Credit Corporation	6 1/2%	June 15/04	\$ 40,000
TD Bank - Term Deposit	3.4%	Aug. 30/98	\$ 2,000
CPN Newfoundland Province Bond	4.13%	Aug. 23/98	\$ 9791
			<u>\$ 285,727</u>

The market value of the investments at May 31, 1998 was \$302,559.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Office of the Rentalsman - Rentalsman's Trust Account as at March 31, 1999 and the statement of changes in trust account balance for the year then ended. The Office of the Rentalsman's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Rentalsman - Rentalsman's Trust Account as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
June 21, 1999

Wayne Strelloff, CA
Provincial Auditor

Statement 1

OFFICE OF THE RENTALSMAN - RENTALSMAN'S TRUST ACCOUNT
STATEMENT OF FINANCIAL POSITION
As at March 31

	<u>1999</u>	<u>1998</u>
<u>ASSETS</u>		
Due from General Revenue Fund (Note 4)	\$ 76,456	\$ 50,024
Total assets	<u>\$ 76,456</u>	<u>\$ 50,024</u>
<u>LIABILITIES</u>		
Security deposits held in trust	\$ 63,036	\$ 40,364
Application fees payable - Department of Justice	<u>13,420</u>	<u>9,660</u>
Total liabilities	<u>\$ 76,456</u>	<u>\$ 50,024</u>

(See accompanying notes to the financial statements)

Statement 2

**OFFICE OF THE RENTALSMAN - RENTALSMAN'S TRUST ACCOUNT
STATEMENT OF CHANGES IN TRUST ACCOUNT BALANCE
As at March 31**

	<u>1999</u>	<u>1998</u>
SECURITY DEPOSITS HELD IN TRUST		
Receipts from landlords or tenants	\$ 537,932	\$ 185,417
Payments to landlords or tenants	(368,220)	(99,473)
Payments to Department of Justice	(143,280)	(35,920)
Balance, beginning of year	<u>50,024</u>	<u>—</u>
Balance, end of year to Statement 1	<u>\$ 76,456</u>	<u>\$ 50,024</u>

(See accompanying notes to the financial statements)

**OFFICE OF THE RENTALSMAN - RENTALSMAN'S TRUST ACCOUNT
NOTES TO FINANCIAL STATEMENTS**

March 31, 1999

1. Legislative Authority

Pursuant to provisions of *The Residential Tenancies Act*, the Office of the Rentalsman - Rentalsman's Trust Account was established for the purpose of receiving and disbursing monies, under Section 35, Section 47 and Section 65 of *The Residential Tenancies Act*.

2. Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles.

3. Related Party Transactions

In accordance with established government practice, the Rentalsman's Trust Account has not been charged with any administrative costs and no provision for such cost is reflected in these statements. These costs are borne by the Department of Justice from monies appropriated by the Legislature for such purposes.

Under Section 6(1) of *The Residential Tenancies Regulation, 1992*, applications are subject to an application fee which is recorded as revenue for the Department of Justice. This fee is included in receipts and payments of the Rentalsman's Trust Account.

4. Due from General Revenue Fund

The Office of the Rentalsman - Rentalsman's Trust bank account is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. No interest is paid into this account by the General Revenue Fund.

5. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from: minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

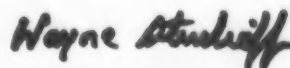
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Provincial Mediation Board Trust Accounts as at March 31, 1999 and the statement of receipts, disbursements and trust account balances for the year then ended. The Provincial Mediation Board's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Provincial Mediation Board Trust Accounts as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
June 21, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

THE PROVINCIAL MEDIATION BOARD TRUST ACCOUNTS
STATEMENT OF FINANCIAL POSITION
As of March 31

	<u>1999</u>	<u>1998</u>
<u>ASSETS</u>		
Due from General Revenue Fund (Note 4)	\$ 183,366	\$ 169,881
Total assets	<u>\$ 183,366</u>	<u>\$ 169,881</u>
<u>LIABILITIES</u>		
Trust account balances (Statement 2)		
Orderly payment of debt program	\$ 118,346	\$ 125,501
Consumer proposals	50,447	24,100
Mediation of debt program	13,383	17,534
Tax enforcement proceedings	<u>1,190</u>	<u>2,746</u>
Total liabilities	<u>\$ 183,366</u>	<u>\$ 169,881</u>

(See accompanying notes to the financial statements)

Statement 2

THE PROVINCIAL MEDIATION BOARD TRUST ACCOUNTS
STATEMENT OF RECEIPTS, DISBURSEMENTS AND
TRUST ACCOUNT BALANCES
Year Ended March 31

	<u>1999</u>	<u>1998</u>
ORDERLY PAYMENT OF DEBT PROGRAM		
Receipts from clients	\$ 698,126	\$ 664,317
Payments to creditors	(611,901)	(575,732)
Payments to Department of Justice	<u>(93,380)</u>	<u>(65,958)</u>
(Decrease) Increase in Trust balance	(7,155)	22,627
Balance, beginning of year	125,501	102,874
Balance, end of year to Statement 1	<u>\$ 118,346</u>	<u>\$ 125,501</u>
CONSUMER PROPOSALS		
Receipts from clients	\$ 128,870	\$ 129,075
Interest from General Revenue Fund (Note 4)	1,922	1,581
Payments to creditors	(87,369)	(101,625)
Payments to Department of Justice	<u>(17,076)</u>	<u>(22,551)</u>
Increase in Trust Balance	26,347	6,480
Balance, beginning of year	24,100	17,620
Balance, end of year to Statement 1	<u>\$ 50,447</u>	<u>\$ 24,100</u>
MEDIATION OF DEBT PROGRAM		
Receipts from clients	\$ 103,464	\$ 183,827
Payments to creditors	(102,342)	(191,171)
Payments to Department of Justice	<u>(5,273)</u>	<u>(3,285)</u>
(Decrease) in Trust balance	(4,151)	(10,629)
Balance, beginning of year	17,534	28,163
Balance, end of year to Statement 1	<u>\$ 13,383</u>	<u>\$ 17,534</u>
TAX ENFORCEMENT PROCEEDINGS		
Receipts from property owners	\$ 18,584	\$ 6,847
Payments to municipalities	(3,820)	(1,942)
Payments to Department of Justice	<u>(16,320)</u>	<u>(2,200)</u>
(Decrease) Increase in Trust Balance	(1,556)	2,705
Balance, beginning of year	2,746	41
Balance, end of year to Statement 1	<u>\$ 1,190</u>	<u>\$ 2,746</u>
THE RESIDENTIAL TENANCIES ACT		
Application Fees	\$ -	\$ 22,740
Abandoned property proceeds	-	2,500
Abandoned property proceeds paid to creditor	-	(2,500)
Payments to Department of Justice	<u>-</u>	<u>(34,044)</u>
(Decrease) in Trust balance	-	(11,304)
Balance, beginning of year	-	11,304
Balance, end of year to Statement 1	<u>\$ -</u>	<u>\$ -</u>

(See accompanying notes to the financial statements)

THE PROVINCIAL MEDIATION BOARD TRUST ACCOUNTS
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Legislative Authority

The Trust Accounts were established for the purpose of receiving and disbursing monies for persons who have entered into negotiations for the settlement of debts, either through *The Provincial Mediation Board Act*, *The Tax Enforcement Act*, Orderly Payment of Debts Regulations or through the Consumer Proposals Program.

2. Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles.

3. Related Party Transactions

In accordance with established government practice, the Trust Accounts have not been charged with any administrative costs and no provision for such costs is reflected in these statements. These costs are borne by the Department of Justice from monies appropriated by the Legislature for such purposes.

Under Parts III and X of *The Bankruptcy and Insolvency Act*, the Consumer Proposals and the Orderly Payment of Debts Consolidation Orders are subject to application and administration fees which are recorded as revenue for the Department of Justice. These fees are included in the receipts and payments under the Orderly Payment of Debts Program, Consumer Proposals, Mediation of Debt Program and Tax Enforcement Proceeding.

4. Due From General Revenue Fund

The Provincial Mediation Board's bank accounts are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

The bank account set up to handle Consumer Proposals earns interest that is calculated and paid by the General Revenue Fund on a quarterly basis into the Trust's bank account using the Government's 30 day borrowing rate and the Trust's average daily bank account balance. Interest is allocated to clients based on their balances.

No interest is paid into the bank account used for the remaining programs.

5. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

AUDITOR'S REPORT

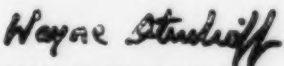
To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Public Employees Deferred Salary Leave Fund as at December 31, 1998 and the statement of changes in member funds and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1998 and the changes in member funds and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
February 5, 1999


Wayne Strelloff, CA
Provincial Auditor

**PUBLIC EMPLOYEES DEFERRED SALARY LEAVE FUND
STATEMENT OF FINANCIAL POSITION**

STATEMENT 1

AS AT DECEMBER 31

	1998	1997
ASSETS		
Cash (Note 3)	\$1,561,080	\$1,725,722
Contributions receivable	<u>402</u>	<u>-</u>
	<u>\$1,561,482</u>	<u>\$1,725,722</u>
 LIABILITIES AND MEMBER FUNDS		
Accounts payable	\$ -	\$ 23,237
Member Funds held in trust (Note 3 and Statement 2)	<u>1,561,482</u>	<u>1,702,485</u>
Total Liabilities and Member Funds	<u>\$1,561,482</u>	<u>\$1,725,722</u>

(See accompanying notes to the financial statements.)

**PUBLIC EMPLOYEES DEFERRED SALARY LEAVE FUND
STATEMENT OF CHANGES IN MEMBER FUNDS**

STATEMENT 2

FOR THE YEAR ENDED DECEMBER 31

	1998		1997
	Budget (Note 5)	Actual	Actual
INCREASE			
Contributions	\$ 720,000	\$ 745,268	\$ 746,507
Interest	<u>84,000</u>	<u>78,898</u>	<u>78,078</u>
	<u>804,000</u>	<u>824,166</u>	<u>824,585</u>
DECREASE			
Redemptions	932,000	888,187	617,640
Interest (Note 3)	84,000	74,285	79,908
Service fees	<u>3,000</u>	<u>2,697</u>	<u>2,902</u>
	<u>1,019,000</u>	<u>965,169</u>	<u>700,450</u>
Net (Decrease) Increase in Fund Balance	(215,000)	(141,003)	124,135
Member Funds, at beginning of year (Note 3)	<u>1,702,485</u>	<u>1,702,485</u>	<u>1,578,350</u>
Member Funds, at end of year (Statement 1)	<u>\$1,487,485</u>	<u>\$1,561,482</u>	<u>\$1,702,485</u>

(See accompanying notes to the financial statements.)

**PUBLIC EMPLOYEES DEFERRED SALARY LEAVE FUND
STATEMENT OF CASH FLOWS**

STATEMENT 3

AS AT DECEMBER 31

	1998	1997
Cash flows from operating activities:		
Net (Decrease) Increase in Fund Balance	\$(141,003)	\$124,135
Change in non-cash working capital:		
(Increase) decrease in contributions	(402)	60,275
Decrease in interest receivable	-	2,743
(Decrease) increase in accounts payable	<u>(23,237)</u>	<u>19,179</u>
Cash flows from operating acitivities	<u>\$(164,642)</u>	<u>\$206,332</u>
CASH, BEGINNING OF YEAR (Note 2)	<u>1,725,722</u>	<u>1,519,390</u>
CASH, END OF YEAR (Statement 1)	<u>\$1,561,080</u>	<u>\$1,725,722</u>

(See accompanying notes to the financial statements.)

PUBLIC EMPLOYEES DEFERRED SALARY LEAVE FUND NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

1. Description of the Fund

The Public Employees Deferred Salary Leave Fund is used to account for the transactions of the Public Employees Deferred Salary Leave Plan. This Plan is established under subsection 31(2) of *The Revenue and Financial Services Act*, and is continued under subsection 64(2) of *The Financial Administration Act, 1993*. The Plan came into effect April 4, 1989 pursuant to Order in Council #270/89.

The Plan is managed by the Public Employees Benefits Agency (PEBA) and allows employees to defer a portion of their salary for a period of twelve to seventy-two months. The deferred salary must then be used in financing a leave of absence for any reason for durations of six to twelve months, subject to the approval of the employer and the terms and conditions of the Plan.

Plan participants are employees of certain members of the public service of the Province of Saskatchewan and other Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council. This includes: the Public Service of Saskatchewan as defined by *The Public Service Act*, New Careers Corporation, Judges of the Provincial Court, Saskatchewan Legal Aid Commission, Saskatchewan Power Corporation, Saskatchewan Property Management Corporation, Saskatchewan Telecommunications Holding Corporation and Saskatchewan Water Corporation.

The Plan is a registered salary deferral arrangement per regulation 6801 of the *Income Tax Act*. The Plan is administered under the terms of an agreement with Royal Trust Corporation of Canada (Royal Trust).

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policy is considered significant.

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Cash and Cash Equivalents

Cash consists of monies at the bank.

3. Member Funds

The portion of salary deferred is held in trust by the Fund. The interest earned on the account is based on the weighted average of the interest rates the bank pays for GIC deposits which is 5.17% for 1998. Accounts are maintained for each participating employee. Each plan participant is allocated earned interest, and charged an administrative fee. On December 31, interest for the year is paid to each participating employee.

4. Receivables/Payables

These financial instruments are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the carrying value of these financial instruments approximates fair value.

5. Budget

The Fund submitted the budget to Treasury Board.

6. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

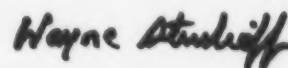
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Public Trustee for Saskatchewan as at March 31, 1999 and the statements of common fund revenue, distributed and undistributed earnings and changes in trust funds for the year then ended. The Public Trustee's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Public Trustee as at March 31, 1999 and the results of its operations and the changes in its trust funds for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
December 8, 1999

Wayne Strelloff, CA
Provincial Auditor

Statement 1

**PUBLIC TRUSTEE FOR SASKATCHEWAN
BALANCE SHEET
As at March 31**

	<u>1999</u>	<u>1998</u>
ASSETS		
Cash	\$ 181,700	\$ 46,284
Due from General Revenue Fund (Note 7)	1,479,335	972,294
Accrued interest receivable	1,209,392	1,305,814
Securities and other assets (Note 4)		
Common fund securities (Notes 2(a) and 3)	123,359,485	121,736,132
Individual trust securities and other assets (Notes 2(b) and 2(c))	<u>9,559,416</u>	<u>10,958,781</u>
	<u><u>\$ 135,789,328</u></u>	<u><u>\$ 135,019,305</u></u>
LIABILITIES		
Accounts payable		
- client accounts (Note 2(d))	\$ 1,185,865	\$ 1,351,429
- administration fees (Note 5)	<u>2,075,768</u>	<u>1,945,246</u>
Total accounts payable	<u>3,261,633</u>	<u>3,296,675</u>
Funds held in trust for clients		
Client capital and distributed earnings	115,058,215	109,914,307
Undistributed earnings (Statement 2)	<u>17,469,480</u>	<u>21,808,323</u>
Total funds held in trust for clients (Statement 3)	<u>132,527,695</u>	<u>131,722,630</u>
	<u><u>\$ 135,789,328</u></u>	<u><u>\$ 135,019,305</u></u>

(See accompanying notes to financial statements)

Statement 2

**PUBLIC TRUSTEE FOR SASKATCHEWAN
STATEMENT OF COMMON FUND REVENUE, DISTRIBUTED AND
UNDISTRIBUTED EARNINGS
Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Common Fund Revenue:		
Income from investments	\$ 5,775,823	\$ 6,200,849
Less: Management fees (Note 6)	(205,713)	(197,911)
Bank interest	102,112	47,617
Capital gains and market value appreciation (Note 3)	<u>2,885,946</u>	<u>17,492,027</u>
Total available for distribution (Statement 3)	8,558,168	23,542,582
Undistributed earnings - beginning of year	21,808,323	8,756,436
Earnings distributed during year (Note 3)	<u>(12,897,011)</u>	<u>(10,490,695)</u>
Undistributed earnings - end of year (Statement 1)	<u>\$ 17,469,480</u>	<u>\$ 21,808,323</u>

(See accompanying notes to financial statements)

Statement 3

**PUBLIC TRUSTEE FOR SASKATCHEWAN
STATEMENT OF CHANGES IN TRUST FUNDS
Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Trust funds acquired:		
Client accounts capital		
- cash	\$ 14,609,519	\$ 13,769,095
- non cash assets	—	233,157
Revenue earned on behalf of trusts		
- common (Statement 2)	8,558,168	23,542,582
- individual	40,302	46,844
Pension benefits	11,257,610	11,496,313
Property rentals	713,386	435,991
Miscellaneous	<u>3,176,761</u>	<u>2,406,221</u>
Total trust funds acquired	<u>38,355,746</u>	<u>51,930,203</u>
Trust funds expended:		
Released client accounts		
- cash	18,802,020	17,251,344
- non cash assets	591,670	—
Maintenance and other payments on behalf of clients	15,809,770	16,376,879
Administration fees (Note 5)	<u>2,347,221</u>	<u>2,240,883</u>
Total trust funds expended	<u>37,550,681</u>	<u>35,869,106</u>
Increase in trust funds	805,065	16,061,097
Balance, beginning of year	<u>131,722,630</u>	<u>115,661,533</u>
Balance, end of year (Statement 1)	<u>\$ 132,527,695</u>	<u>\$ 131,722,630</u>

(See accompanying notes to financial statements)

**PUBLIC TRUSTEE FOR SASKATCHEWAN
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Authority

The Public Trustee for Saskatchewan is established under *The Public Trustee Act*. Effective April 1, 1984 the Public Trustee succeeded the Official Guardian appointed pursuant to *The Infants Act* and the Administrator of Estates appointed pursuant to *The Administration of Estates of Mentally Disordered Persons Act*. On November 12, 1992, the Public Trustee also became the official administrator for each judicial centre pursuant to *The Queen's Bench Act*.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following accounting policies:

a) Common Fund Securities

Common fund securities (bonds, debentures and shares) are purchased by the Public Trustee with the cash assets of the estates and are recorded at market values which are determined by reference to closing year end sale prices from recognized security dealers or, in the absence of recorded sales, by reference to closing year end bid and ask prices.

Short term investments are valued at cost, which approximates market value.

Fair value approximates the market value of investments.

Income earned on common fund securities is recorded on the accrual basis of accounting.

b) Individual Trust Securities

Term deposits, bonds and RRSPs are recorded at par value at the date the Public Trustee assumes control of the securities. Reinvestments of individual securities are recorded at cost.

Shares are recorded at the market value at the date the Public Trustee assumes control. Subsequent increases or decreases in market value are reflected in the trust accounts annually. If a market value cannot be determined the shares are recorded at a nominal value of \$1.

c) **Other Assets**

Real estate holdings are recorded at appraised values at the date the Public Trustee assumes control or at cost if real estate is purchased by the Public Trustee on behalf of an individual. The recorded values are subject to periodic revaluation. If no valuation information is available, these assets are recorded at a nominal value of \$1.

Miscellaneous assets are recorded at amounts determined from information available to the Public Trustee at the date the Public Trustee assumes control of the assets. Subsequent adjustments are made if additional valuation information is received. If no valuation information is available, these assets are recorded at a nominal value of \$1.

d) **Accounts Payable - Client Accounts**

These liabilities are settled at such time as client assets are liquidated or become available from other sources.

3. Earnings Distribution - Common Fund

Earnings distribution and the definition of income are set out in *The Public Trustee Regulations*.

The definition of income from Common Fund securities to be distributed to individual trust accounts includes realized and unrealized capital gains or losses. Realized capital gains or losses are determined upon sale of securities. Unrealized capital gains or losses are defined as the difference between the cost value of an investment and its market value at the end of a distribution period.

Realized and unrealized capital gains and losses are distributed semi-annually over a four year period on a straight-line basis.

Received income is distributed semi-annually to the individual trust accounts on September 30 and March 31.

4. Securities and Other Assets

Section 47(1) of *The Public Trustee Act* authorizes the Public Trustee to invest (subject to the approval of the Investment Board) that part of the common fund which in his opinion is not immediately required for the maintenance and education of infants or the management of the affairs of the persons for whom the Public Trustee is guardian.

Individual trust securities consist of investments held by individuals at the date their estates came under control of the Public Trustee and investments subsequently made in the name of individuals by the Public Trustee.

	<u>1999</u>	<u>1998</u>
Common Fund Securities:		
Bonds & debentures at market value:		
Government of Canada	\$ 50,571,638	\$ 41,800,654
Province of Saskatchewan	1,612,821	1,294,467
Other provinces	14,887,291	19,464,323
Corporations	<u>12,815,053</u>	<u>13,148,854</u>
	79,886,803	75,708,298
Greystone Non North American Fund, at market	11,081,861	11,179,971
Other equities, at market	27,970,118	30,716,341
Short term investments, at cost which approximates market value	<u>4,420,703</u>	<u>4,131,522</u>
Total common fund	<u>123,359,485</u>	<u>121,736,132</u>
Individual Trust Securities and Other Assets:		
Term deposits, bonds & RRSPs (cost)	1,651,072	2,070,831
Saskatchewan Pension Plan investments	102,318	92,840
Shares (Note 2(b))	2,471,880	3,283,212
Real estate	4,954,781	4,990,349
Miscellaneous	<u>379,365</u>	<u>521,549</u>
Total individual trust	<u>9,559,416</u>	<u>10,958,781</u>
Total Securities and Other Assets	<u>\$ 132,918,901</u>	<u>\$ 132,694,913</u>

Interest Rate Risk—

Interest rate risk refers to the adverse consequences of interest rate changes on cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Common Fund's assets and liabilities. The value of the assets is affected by short-term changes in nominal interest rates and equity markets.

Credit Risk

Credit risk arises from the potential for an investee to fail. The Public Trustee limits the credit risk by investing in securities considered high quality.

Short Term Investments

These investments are comprised of Canada Treasury Bills and other discount notes with effective interest rates of 4.7% to 4.9%. Maturity dates range from April 1999 to March 2000.

5. Administration Fees

In accordance with *The Public Trustee Regulations*, administration fees respecting dependent adult and infant clients are assessed and subsequently paid to the General Revenue Fund when collected from client accounts. Fees for administering deceased estates are assessed in accordance with *The Official Administrator's Fees Regulations*.

6. Related Party Transactions

a) Administration Costs

In accordance with section 53 of *The Public Trustee Act*, all general administrative and employee costs required for the administration of the Public Trustee are paid out of the General Revenue Fund of the Province of Saskatchewan.

b) Investment Management Services

Greystone Capital Management Inc. (GCMI) provides investment management services to the Public Trustee on a fee-for-service basis. The Public Trustee is a shareholder in GCMI along with several Saskatchewan public sector pension funds and government agencies.

Public Trustee holds 16,393 shares in GCMI which represents 1.7% of the total shares outstanding.

The Public Trustee holds 775,069 units, 1.8% of total units outstanding, in Greystone Non North American Fund, an investment fund investing in foreign markets.

Account balances resulting from the above transactions are included in the statement of common fund revenue, distributed and undistributed earnings, are in the normal course of operations, and are recorded at rates charged by GCMI.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and the notes thereto.

Subsequent to March 31, 1999 the Public Trustee sold its shares of GCMI, thus GCMI ceased to be a related party.

7. Due from General Revenue Fund

The Public Trustee's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

Earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Public Trustee's bank account using the Government's thirty day borrowing rate and the Public Trustee's average daily bank account balance. The Government's average thirty day borrowing rate for 1998-99 is 5.04% (1997-98 – 3.77%).

8. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Public Trustee's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Public Trustee, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

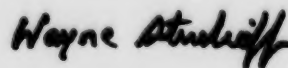
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the School Division Tax Loss Compensation Fund as at March 31, 1999 and the statement of revenue, expenditure and fund balance for the year then ended. The School Division Tax Loss Compensation Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the School Division Tax Loss Compensation Fund as at March 31, 1999 and the results of its operations and the changes in its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
September 16, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

**School Division Tax Loss Compensation Fund
Balance Sheet
As at March 31, 1999**

	<u>1999</u>	<u>1998</u>
ASSETS		
Due from General Revenue Fund (Note 4)	1,709,175	1,128,612
Accounts Receivable	<u>160,759</u>	<u>0</u>
	<u><u>1,869,934</u></u>	<u><u>1,128,612</u></u>
 LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts Payable	337,305	422,937
Fund balance (Statement 2)	<u>1,532,629</u>	<u>705,675</u>
	<u><u>1,869,934</u></u>	<u><u>1,128,612</u></u>

(See accompanying notes to the financial statements)

Statement 2

School Division Tax Loss Compensation Fund
Statement of Revenue, Expenditure and Fund Balance
As at March 31, 1999

	<u>1999</u>	<u>1998</u>
REVENUE:		
Contributions	2,967,582	1,394,161
Investment Interest	<u>85,059</u>	<u>30,788</u>
Total revenue	<u><u>3,052,641</u></u>	<u><u>1,424,949</u></u>
EXPENDITURE:		
Compensation to school divisions	<u>2,225,687</u>	<u>1,045,621</u>
Surplus	826,954	379,328
Fund balance, beginning of year	<u>705,675</u>	<u>326,347</u>
Fund balance, end of year (Statement 1)	<u><u>1,532,629</u></u>	<u><u>705,675</u></u>

(See accompanying notes to the financial statements)

SCHOOL DIVISION TAX LOSS COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Purpose and Creation of the Fund

The School Division Tax Loss Compensation Fund (Fund) was created by an amendment to *The Education Act* through *The Treaty Land Entitlement Implementation Act*. The amendment came into force on June 22, 1993. On December 14, 1994, by Order in Council #840/94 the Lieutenant Governor in Council established regulations to administer the Fund.

The Fund is administered by the Department of Education on behalf of school boards. The purpose of the Fund is to provide tax loss compensation to school divisions that lose tax revenue as a result of lands within that school division being set apart as an Indian reserve. The Fund receives money from the provincial (Intergovernmental and Aboriginal Affairs) and federal (Indian and Northern Affairs Canada) governments as part of the Treaty Land Entitlement Framework Agreement. Payments are made to affected school divisions according to the formula stated in the regulations.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant:

a) accrual basis

The financial statements are prepared on the accrual basis of accounting.

3. Related Party Transactions

The fund has not been charged with any administrative costs and no provision for such costs is reflected in these statements. These costs are borne by the Department of Education. Included in revenue is \$890,275 from Intergovernmental and Aboriginal Affairs, there was no receivable at March 31, 1999.

4. Due From General Revenue Fund

The monies of the Fund are deposited in the General Revenue Fund. Under this arrangement, interest is calculated on the net position of the School Tax Loss Compensation Fund.

The Fund's share of this interest is allocated to it by the General Revenue Fund on a quarterly basis using the Government's thirty day borrowing rate.

5. Compensation to School Divisions

The following lists the organizations that received money from the Fund for the year ended March 31, 1999.

Organization	Amount	
	1998-99	1997-98
Battlefords School Division #118	118,174	43,792
Biggar School Division #50	26,980	114,967
Borderland School Division #68	18,003	0
Broadview School Division #18	126,584	59,152
Crystal Lakes School Division #120	35,770	0
Cupar School Division #28	188,759	112,656
Deer Park School Division #26	32,409	27,651
Eastend School Division #8	35,662	0
Kamsack School Division #35	41,331	0
Landswest School Division #123	106,501	48,303
Maple Creek School Division #17	6,406	0
Meadow Lake School Division #66	561,600	0
Moosomin School Division #9	4,667	0
Northern Lakes School Division #64	317,904	264,501
Paynton School Division #102	4,821	0
Potashville School Division #80	81,884	29,194
Prairie View School Division #74	0	96,488
Sask. Central School Division #121	4,733	40,469
Saskatchewan Valley School Division #49	64,161	15,157
Scenic Valley School Division #117	83,898	14,056
Shamrock School Division #38	129,260	144,406
Thunder Creek School Division #78	0	4,532
Turtleford School Division #65	0	10,530
Wadena School Division #46	5,894	0
Wakaw School Division #48	106,665	0
Yorkdale School Division #36	123,621	19,767
Total	2,225,687	1,045,621

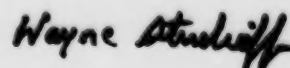
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of net assets available for benefits of the Social Services Central Trust Account as at March 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. The Trust Account's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Social Services Central Trust Account as at March 31, 1999 and the changes in its net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
July 27, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

**SOCIAL SERVICES CENTRAL TRUST ACCOUNT
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
As at March 31**

	<u>Armour Trust</u>	<u>Balison Trust</u>	<u>Total 1999</u>	<u>Total 1998</u>
ASSETS				
Due from General Revenue Fund (Note 3)	\$ 14,071	\$ 168,835	\$ 182,906	\$ 197,492
Accrued interest	<u>172</u>	<u>2,067</u>	<u>2,239</u>	<u>2,294</u>
	<u>\$ 14,243</u>	<u>\$ 170,902</u>	<u>\$ 185,145</u>	<u>\$ 199,786</u>
FUND BALANCE				
Fund balance (Statement 2)	<u>\$ 14,243</u>	<u>\$ 170,902</u>	<u>\$ 185,145</u>	<u>\$ 199,786</u>

(See accompanying notes to the financial statements)

Statement 2

SOCIAL SERVICES CENTRAL TRUST ACCOUNT
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
Year Ended March 31

	<u>Armour Trust</u>	<u>Balison Trust</u>	<u>Total 1999</u>	<u>Total 1998</u>
Increase in fund balance				
- Interest	\$ 708	\$ 8,493	\$ 9,201	\$ 7,490
- Estate distributions	1,000	---	1,000	2,550
Decrease in fund balance				
- to or on behalf of children's institutions	<u>(1,203)</u>	<u>(23,639)</u>	<u>(24,842)</u>	<u>(10,163)</u>
Increase (decrease) in fund balance	505	(15,146)	(14,641)	(123)
Balance, beginning of year	<u>13,738</u>	<u>186,048</u>	<u>199,786</u>	<u>199,909</u>
Balance, end of year (to Statement 1)	<u>\$ 14,243</u>	<u>\$ 170,902</u>	<u>\$ 185,145</u>	<u>\$ 199,786</u>

(See accompanying notes to the financial statements)

**SOCIAL SERVICES CENTRAL TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Authority and Purpose of Trust

The Social Services Central Trust Account was established under Section 13 of *The Department of Social Services Act*, Chapter D-23, R.S.S. 1978.

In accordance with Section 15 of *The Department of Social Services Act*, R.S.S. 1978, the Department administers funds received from the Armour and Balison Estates.

The Armour Trust has a 1/4 interest in the Armour Estate. Canada Trust is the executor and therefore administers the Armour Estate. The Armour Estate owns a 1/2 interest in real estate situated between the Regina city limits and the IPSCO steel mill. The land is presently rented for farming purposes. The Armour Trust receives its share of farm land rent from the Armour Estate. The trust funds are held on behalf of Dales House, an institution operated by the Department of Social Services.

At March 31, 1999 the Armour Trust's share of the fair market value of assets in the Armour Estate consisted of cash and short-term notes \$43,461, and real estate \$18,100.

The Balison Trust consisted of income from and sales proceeds of property held by the Balison Estate. Canada Trust was the executor and therefore administered the Balison Estate. The trust funds are held on behalf of the Saskatchewan Youth in Care Network.

At March 31, 1998 the assets in the Balison Estate had all been distributed to beneficiaries.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles.

Estate distributions are recorded as an increase in fund balance in the period they are distributed.

3. Due From General Revenue Fund

The trust funds are included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

Interest earned is calculated and paid by the General Revenue Fund on a quarterly basis into the Trust's bank account using the Government's 30 day borrowing rate and the Trust's average daily bank account balance. The Government's average thirty day borrowing rate for 1998/99 is 5.04% (1997/98- 3.77%).

4. Related Party Transactions

In accordance with established government practice, the Trust Account has not been charged with any occupancy costs and no provision for such costs is reflected in these statements. These costs, together with certain general administrative and employee benefit costs, are absorbed by the Department of Social Services appropriation.

5. Financial Instruments

Financial instruments consist of due from general revenue fund and accrued interest. There are no significant terms and conditions related to the financial instruments that may affect the amount, timing and certainty of future cash flows. The fair value of these instruments approximates carrying value due to the immediate or short-term maturity.

PART

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Financial Statements Compendium 1998-99

Part B



Saskatchewan

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GUIDE TO THE COMPENDIUM

This Compendium is comprised of the financial statements of various government boards, agencies, commissions, superannuation funds, special purpose funds and institutions as well as those Crown corporations which are accountable to the Treasury Board.

The financial statements are for fiscal periods ending within the Government's fiscal year April 1, 1998 to March 31, 1999.

While many of these entities are required to table their financial statements in the Legislative Assembly as separate reports, this Compendium serves to provide ease of public access to their financial statements.

Financial statements for Crown corporations that are accountable to the Crown Investments Corporation appear in a separate compendium of annual reports compiled by the Crown Investments Corporation.

The Compendium consists of two parts:

Part A - Educational Institutions
Pension Funds
Crown Corporations
Trust Funds

Part B - Other Entities
Health Care Institutions
Revolving Funds

Each Part includes a complete table of contents for the whole Compendium, as well as a complete alphabetical listing, with page number reference, in an index.

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Agri-Food Innovation Fund

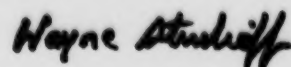
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Agricultural Implements Board as at March 31, 1999 and the statements of revenue, expenditure and reserve fund, and cash flows for the year then ended. The Board's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
July 20, 1999

Wayne Strelloff, CA
Provincial Auditor

Statement 1

**AGRICULTURAL IMPLEMENTS BOARD
BALANCE SHEET
As at March 31**

	<u>1999</u>	<u>1998</u>
ASSETS		
Due from General Revenue Fund (Note 3)	\$ 126,501	\$ 132,058
Assessment levies receivable	---	5,960
Accrued interest receivable	<u>1,596</u>	<u>1,533</u>
	<u><u>\$ 128,097</u></u>	<u><u>\$ 139,551</u></u>
LIABILITIES AND FUND BALANCE		
Accounts payable	\$ ---	\$ 6,318
Reserve Fund (Statement 2)	<u>128,097</u>	<u>133,233</u>
	<u><u>\$ 128,097</u></u>	<u><u>\$ 139,551</u></u>

(See accompanying notes to the financial statements)

Statement 2

AGRICULTURAL IMPLEMENTS BOARD
STATEMENT OF REVENUE, EXPENDITURE AND RESERVE FUND
Year Ended March 31

	<u>1999</u>	<u>1998</u>
Revenue:		
Assessment levies	\$ 2,825	\$ 8,735
Interest income	<u>6,678</u>	<u>4,929</u>
	<u>9,503</u>	<u>13,664</u>
Expenditure:		
Compensation payments	6,449	6,318
Investigations and hearings	3,588	802
Provision for doubtful accounts	<u>4,602</u>	<u>---</u>
	<u>14,639</u>	<u>7,120</u>
Net (loss) revenue	(5,136)	6,544
Reserve Fund, beginning of year	<u>133,233</u>	<u>126,689</u>
Reserve Fund, end of year - to Statement 1	<u><u>\$ 128,097</u></u>	<u><u>\$ 133,233</u></u>

(See accompanying notes to the financial statements)

Statement 3

**AGRICULTURAL IMPLEMENTS BOARD
STATEMENT OF CASH FLOWS
Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Operating activities:		
Net (loss) revenue	\$ (5,136)	\$ 6,544
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	5,897	(6,518)
(Decrease) increase in accounts payable	<u>(6,318)</u>	<u>4,513</u>
	<u>(421)</u>	<u>(2,005)</u>
(Decrease) increase in cash position during the year	(5,557)	4,539
Due from General Revenue Fund, beginning of year	<u>132,058</u>	<u>127,519</u>
Due from General Revenue Fund, end of year	<u>\$ 126,501</u>	<u>\$ 132,058</u>

(See accompanying notes to the financial statements)

**AGRICULTURAL IMPLEMENTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant.

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Accounts Receivable/Accounts Payable

The amount due from the General Revenue Fund is interest bearing as described in Note 3. The carrying value approximates fair value.

The carrying value of other accounts receivable and accounts payable approximates fair value.

2. Authority

The Agricultural Implements Board is continued under *The Agricultural Implements Act*. Under this Act, a fund known as the Agricultural Implements Compensation Fund, through which all transactions reflected in these statements are conducted, is continued:

- a) to pay compensation to farmers;**
- b) to defray the expenses of investigating and hearing claims for compensation under this Act; and**
- c) to maintain a reserve fund to pay compensation that may become payable in the future.**

3. Due from General Revenue Fund

The Agricultural Implements Board's bank account is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

Earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty-day borrowing rate (1999 average rate – 5.04%; 1998 average rate – 3.77%) and the Agricultural Implements Board's average daily bank account balance.

4. Costs Borne by Related Parties

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Board by virtue of common control by the Government of Saskatchewan.

The investigation and hearing expenditures of \$3,588 were conducted by the Department of Justice.

Salary and administration costs other than those in respect of investigations and hearings have been absorbed by various departmental appropriations and are therefore not reflected in these financial statements.

Other transactions with related parties and amounts due to or from them are described separately in these financial statements and the notes hereto.



KPMG LLP
Chartered Accountants

AUDITORS' REPORT

To: Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of the Associated Entities Fund as at March 31, 1999 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Associated Entities Fund as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
May 11, 1999



Associated Entities Fund

Statement of Financial Position

March 31, 1999 with comparative figures for 1998

	1999	1998
	(restated note 3)	
Assets		
Current Assets:		
Cash	\$ 7,238,740	\$ 1,969,537
Receivable from General Revenue Fund	112,500	4,092,423
	<u>\$ 7,351,240</u>	<u>\$ 6,061,960</u>
Liabilities and Net Assets		
Current liabilities:		
Due to Metis Society of Saskatchewan Inc.	\$ 28,125	\$ 1,023,106
Grants payable	3,765	12,000
	<u>31,890</u>	<u>1,035,106</u>
Net assets:		
Unrestricted	1,650,423	4,027,524
Internally restricted (note 3)	5,668,927	999,330
	<u>7,319,350</u>	<u>5,026,854</u>
	<u>\$ 7,351,240</u>	<u>\$ 6,061,960</u>

See accompanying notes to financial statements.

On behalf of the Board of Trustees:

Rance Brown Chairman

Cheryl Brewer Hyde Trustee

Associated Entities Fund

Statement of Operations

Year ended March 31, 1999 with comparative figures for 1998

	1999	1998
	(restated note 3)	
Revenue:		
Interest	\$ 133,124	\$ 38,557
Proceeds from General Revenue Fund	8,187,500	7,898,672
	8,320,624	7,937,229
Expenses:		
Administration contract	100,000	100,000
Grants	3,881,253	1,944,702
Transferred to Metis Society of Saskatchewan Inc.	2,046,875	2,459,992
	6,028,128	4,504,694
Excess of revenue over expenses	\$ 2,292,496	\$ 3,432,535

Statement of Changes in Net Assets

Year ended March 31, 1999 with comparative figures for 1998

	Unrestricted	Internally Restricted	Total 1999	Total 1998
	(restated note 3)			
Balance, beginning of year	\$ 4,027,524	\$ 999,330	\$ 5,026,854	\$ 1,594,319
Excess of revenue over expenses	4,573,749	(2,281,253)	2,292,496	3,432,535
Interfund transfer	(6,950,850)	6,950,850	-	-
Balance, end of year	\$ 1,650,423	\$ 5,668,927	\$ 7,319,350	\$ 5,026,854

See accompanying notes to financial statements.

Associated Entities Fund

Notes to Financial Statements

March 31, 1999

1. Nature of operations:

The Associated Entities Fund (the "Fund") was established on August 23, 1996 by The Saskatchewan Gaming Corporation Act (Chapter S18.2 of the Statutes of Saskatchewan - Part IV). It is managed by a Board of Trustees consisting of six people appointed by the Lieutenant Governor in Council. The Board of Trustees is responsible for managing and operating the Fund.

Pursuant to the Saskatchewan Gaming Corporation Act, and other agreements, the Government of Saskatchewan receives, into the General Revenue Fund, certain gaming revenues. The Minister of Finance transfers a portion of these gaming revenues to the Fund. The Trustees of the Fund have agreed to transfer 25% of these revenues to the Metis Society of Saskatchewan Inc. The remaining funds must be granted to charities and exhibition associations in Saskatchewan, or any person, organization or association in Saskatchewan prescribed by the Lieutenant Governor in Council upon application to the Board of Trustees.

The Fund has an agreement with Sask Sport Inc. to provide administrative services to the Fund. For this Sask Sport will be paid 5% of the revenue from the fund up to a maximum of \$100,000.

2. Significant accounting policies:

Grants:

Grants are recognized when a completed grant application is received from an eligible organization and approved by the Board of Trustees.

Measurement uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Associated Entities Fund

Notes to Financial Statements

March 31, 1999

3. Internally restricted net assets:

The Trustees of the Fund have internally restricted net assets for Regional Intersectoral Committees to fund programs for vulnerable children, youth and families at the community level. In addition, pursuant to directions given under the governing legislation, they have restricted net assets to fund building or upgrading of community cultural facilities. These internally restricted net assets are not available for other purposes without the approval of the Trustees.

	Regional Intersectoral Committees	Community Cultural Facilities	Total 1999	Total 1998
Internally restricted net assets, beginning of year	\$ 999,330	\$ -	\$ 999,330	\$1,099,300
Transfer from unrestricted net assets	2,050,850	4,900,000	6,950,850	1,467,001
Grants approved	(2,281,253)	-	(2,281,253)	(1,566,971)
Internally restricted net assets, end of year	\$ 768,927	\$4,900,000	\$5,668,927	\$ 999,330

Previously, the Fund reported using a fund balance method. In the current year the method was changed to reporting of net assets. The impact of this change has been to restate \$999,330 as restricted net assets and \$4,027, 524 as unrestricted net assets that were previously included together in the 1998 fund balance total of \$5,026,854.

4. Statement of changes in financial position:

A statement of changes in financial position has not been provided as it does not directly provide additional meaningful information.

5. Comparative figures:

Certain comparative figures have been restated to conform to the current year's presentation.

6. Uncertainty due to the Year 2000 issue:

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

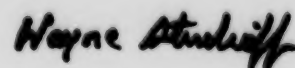
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Big Game Damage Compensation Fund as at March 31, 1999 and the statement of operations and net assets for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
July 29, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

**BIG GAME DAMAGE COMPENSATION FUND
STATEMENT OF FINANCIAL POSITION
As at March 31**

	<u>1999</u>	<u>1998</u>
Assets		
Current assets		
Due from General Revenue Fund (Note 3)	\$ 1,487	\$ 169,687
Accounts receivable	<u>---</u>	<u>20,933</u>
	<u>\$ 1,487</u>	<u>\$ 190,620</u>
Net Assets		
Net assets (Statement 2)	<u>\$ 1,487</u>	<u>\$ 190,620</u>

(See accompanying notes to the financial statements)

Statement 2

**BIG GAME DAMAGE COMPENSATION FUND
STATEMENT OF OPERATIONS AND NET ASSETS
For the Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Revenues		
Licence Sales	\$ 1,322	\$ 666,477
Interest (Note 3)	<u>165</u>	<u>2,978</u>
	<u>1,487</u>	<u>669,455</u>
Expenses		
Grants to Saskatchewan Agricultural Stabilization Fund - Big Game Damage Account	<u>190,620</u>	<u>478,835</u>
(Deficit) / Surplus for the year	(189,133)	190,620
Net assets, beginning of year	<u>190,620</u>	---
Net assets, end of year – to Statement 1	<u><u>\$ 1,487</u></u>	<u><u>\$ 190,620</u></u>

(See accompanying notes to the financial statements)

**BIG GAME DAMAGE COMPENSATION FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Purpose of the Fund

The Big Game Damage Compensation Fund (Fund) was established on April 1, 1997 pursuant to Section 11 of *The Wildlife Act, 1997*. The purpose of the Fund is to provide funding to the Saskatchewan Agricultural Stabilization Fund, Big Game Damage Compensation Program. The purpose of this program is to compensate producers of commercial agricultural crops for damage or loss caused by big game.

The Fund received revenue from the sale of Big Game Damage Fund Licences issued pursuant to *The Wildlife Regulations, 1981*. On May 13, 1998, the Regulations were amended by Order in Council 296/1998 and such licences were discontinued.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policy is considered significant:

a) Grants

Grants are recognized as expenses in the period the grant is approved.

3. Due from General Revenue Fund

The monies of the Fund are deposited in the General Revenue Fund (GRF). The Fund's earned interest is calculated and paid by the GRF on a quarterly basis to the Fund using the Government's thirty-day borrowing rate and the Fund's average daily account balance. The average thirty-day borrowing rate for 1998/99 is 5.04% (1997/98 – 3.77%).

4. Cash Flow Statement

A cash flow statement has not been provided since cash flow information is readily apparent from the other financial statements.

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations and departments related to the Fund by virtue of common control by the Government of Saskatchewan.

Routine operating transactions with related parties are settled on normal trade terms. Transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

The Fund has not been charged with any administrative costs and no provision for such costs is reflected in these statements. These costs are borne by the Department of Environment and Resource Management - General Revenue Fund.

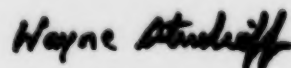
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Cattle Marketing Deductions Fund as at March 31, 1999 and the statements of revenue, expenditure and net assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
September 8, 1999

Wayne Strelloff, CA
Provincial Auditor

Statement 1

**CATTLE MARKETING DEDUCTIONS FUND
STATEMENT OF FINANCIAL POSITION
As at March 31**

	Provincial Account		National Account		Total	
	1999	1998	1999	1998	1999	1998
ASSETS						
Current Assets:						
Due from General Revenue Fund (Note 3)						
Accounts receivable	\$ 1,185,199	\$ 1,248,532	\$ 1,107,629	\$ --	\$ 2,292,828	\$ 1,248,532
Accrued interest receivable	347,255	163,987	--	--	347,255	163,987
	28,190	15,236	--	--	28,190	15,236
	<u>\$ 1,560,644</u>	<u>\$ 1,427,755</u>	<u>\$ 1,107,629</u>	<u>\$ --</u>	<u>\$ 2,668,273</u>	<u>\$ 1,427,755</u>
LIABILITIES AND NET ASSETS						
Current Liabilities:						
Accounts payable	\$ 20,963	\$ 41,560	\$ --	\$ --	\$ 20,963	\$ 41,560
Net assets (Statement 2)	<u>1,539,681</u>	<u>1,386,195</u>	<u>1,107,629</u>	<u>--</u>	<u>2,647,310</u>	<u>1,386,195</u>
	<u>\$ 1,560,644</u>	<u>\$ 1,427,755</u>	<u>\$ 1,107,629</u>	<u>\$ --</u>	<u>\$ 2,668,273</u>	<u>\$ 1,427,755</u>

(See accompanying notes to the financial statements)

Statement 2

CATTLE MARKETING DEDUCTIONS FUND
STATEMENT OF REVENUE, EXPENDITURE AND NET ASSETS
Year Ended March 31

	Provincial Account		National Account		Total	
	Budget 1999	1999	1998	1999	Actual 1999	Actual 1998
Revenue						
Deductions under sections 3 and 4 of <i>The Cattle Marketing Deductions Act</i> and Regulations	\$ 1,300,000	\$ 1,413,521	\$ 1,499,134	\$ 1,107,629	\$ 2,521,150	\$ 1,499,134
Less commissions	50,000	41,343	43,663	---	41,343	43,663
Net deductions	1,250,000	1,372,178	1,455,471	1,107,629	2,479,807	1,455,471
Interest (Note 3)	43,000	83,580	42,025	---	83,580	42,025
Miscellaneous revenue	---	---	12,161	---	---	12,161
Total revenue	1,293,000	1,455,758	1,509,657	1,107,629	2,563,387	1,509,657
Expenditure						
Grants (Schedule 1) (Note 3)	1,100,000	1,201,831	1,223,193	---	1,201,831	1,223,193
Refund of deductions	60,000	81,168	70,975	---	81,168	70,975
Administration (Note 3)	16,000	15,321	15,000	---	15,321	15,000
Advisory Committee and other expenses	2,500	3,952	2,061	---	3,952	2,061
Total expenditure	1,178,500	1,302,272	1,311,229	---	1,302,272	1,311,229
Surplus for the year	\$ 114,500	153,486	198,428	1,107,629	1,261,115	198,428
Net assets, beginning of year		1,386,195	1,187,767	---	1,386,195	1,187,767
Net assets, end of year - to Statement 1	\$ 1,539,681	\$ 1,386,195	\$ 1,107,629	\$ ---	\$ 2,647,310	\$ 1,386,195

(See accompanying notes to the financial statements)

Statement 3

**CATTLE MARKETING DEDUCTIONS FUND
STATEMENT OF CASH FLOWS
Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Operating Activities:		
Surplus for the year	\$ 1,261,115	\$ 198,428
Changes in non-cash working capital:		
(Increase) decrease in accounts receivable	(183,268)	31,758
(Increase) in accrued interest receivable	(12,954)	(8,022)
(Decrease) in accounts payable	<u>(20,597)</u>	<u>(16,308)</u>
	<u>(216,819)</u>	<u>7,428</u>
Increase in cash position during the year	1,044,296	205,856
Due from General Revenue Fund, beginning of year	<u>1,248,532</u>	<u>1,042,676</u>
Due from General Revenue Fund, end of year	<u><u>\$ 2,292,828</u></u>	<u><u>\$ 1,248,532</u></u>

(See accompanying notes to the financial statements)

**CATTLE MARKETING DEDUCTIONS FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Legislative Authority

The Cattle Marketing Deductions Fund (Fund) was established under *The Cattle Marketing Deductions Act* and continues under *The Cattle Marketing Deductions Act, 1998 (Act)*. The Act established two accounts, the Provincial Account and the National Account. The Fund's existing assets were transferred to the Provincial Account established by the Act. The Provincial Account's purpose is to develop, improve and promote the cattle industry.

The Act also established the National Account to support a promotion-research agency to be established pursuant to the *Farm Products Agencies Act (Canada)*. Currently the Department is negotiating with the federal government and other provinces to establish this promotion research agency.

Dealers deduct \$2.00 per head from the purchase price for cattle purchased. The National Account receives \$1.00 a head and the Provincial Account receives \$1.00 a head less the dealer's commission of \$0.03 per head.

Section 12 of the Act provides for the refund of deductions apportioned to the Provincial Account. Any person may claim a refund of deductions for a calendar year by filing a claim by January 31 of the following year.

2. Significant Accounting Principles

The financial statements are prepared in accordance with generally accepted accounting principles. The following accounting principles are considered significant.

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Grants

Grants are recorded as expenditures when approved and the eligibility criteria, if any, have been met by the recipient.

c) **Financial Instruments**

Due from General Revenue Fund, accounts receivable and accounts payable are due or payable within the next year. Due to this short-term maturity, the carrying values of these financial instruments approximate their fair value.

3. Related Party Transactions

Included in these financial statements are the following transactions with Saskatchewan agencies related to the Fund by virtue of common control or significant influence by the Government of Saskatchewan.

The Fund's money is held in the General Revenue Fund. Interest is calculated on the Fund's daily balance using the Government's thirty-day borrowing rate and is credited to the Provincial Account on a quarterly basis. The Government's average thirty-day borrowing rate for 1998-99 is 5.04% (1997-98 – 3.77%).

The Fund paid grants to the University of Saskatchewan as noted on Schedule 1. Also, the Fund paid \$15,000 to the Livestock Services Revolving Fund for administrative expenses.

4. Commitments

At year end, the Committee had approved grants for payment in 1999/2000 of \$831,584, in 2000/2001 of \$85,000 and in 2001/2002 of \$60,000.

As well, the Fund is committed to pay the moneys collected for the National Account to a promotion research agency when it is established under the agreement.

5. 1998/99 Budget

The Advisory Committee approved the 1998/99 budget on January 23, 1998.

6. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of third parties, will be fully resolved.

7. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Schedule 1

**CATTLE MARKETING DEDUCTIONS FUND PROVINCIAL ACCOUNT
EXPENSES BY OBJECT
Year Ended March 31**

	<u>1999</u>	<u>1998</u>
<u>Personal Services</u>		
Payees under \$2,500	\$ 1,675	\$ 815
Travel		
Other	<u>2,138</u>	<u>1,246</u>
<u>Grants</u>		
Canadian Cattlemen's Association:		
National Beef Information Centre	600,000	750,000
Operating Expenses	181,831	175,843
University of Saskatchewan:		
Animal and Poultry Science	---	21,750
Veterinary Infectious Disease Organization	85,000	75,000
Dairy Cattle Feeding Project	60,000	60,000
Western Beef Development Centre	25,000	---
Canada Beef Export Federation	100,000	100,000
Saskatchewan Beef Information Centre	35,000	30,000
Foundation for Animal Care	5,000	5,000
Saskatchewan Cattle Feeders' Association	2,500	2,500
Saskatchewan Stock Growers' Association	107,500	2,500
Saskatchewan Agricultural Hall of Fame	<u>---</u>	<u>600</u>
	<u>1,201,831</u>	<u>1,223,193</u>
<u>Supplier Payments</u>		
Payees under \$20,000	<u>96,628</u>	<u>85,975</u>
Total	<u>\$ 1,302,272</u>	<u>\$ 1,311,229</u>

Crop Reinsurance Fund of Saskatchewan Auditors' Report



Year Ended March 31, 1999 with comparative figures for 1998

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the balance sheet of the Crop Reinsurance Fund of Saskatchewan as at March 31, 1999 and the statement of revenue, expenditures and fund surplus changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and the changes in its financial position for the year ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

May 12, 1999

Crop Reinsurance Fund of Saskatchewan

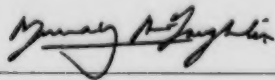
Balance Sheet

March 31, 1999 with comparative figures for 1998

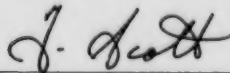
	1999	1998
Assets		
Due from Province of Saskatchewan		
General Revenue Fund (note 3)	\$ 74,702,231	\$ —
Reinsurance premium receivable from Saskatchewan		
Crop Insurance Corporation	2,255,442	37,727,138
Due from the Saskatchewan Crop Insurance Corporation	<u>—</u>	<u>18,640,283</u>
	<u>\$ 76,957,673</u>	<u>\$ 56,367,421</u>
Fund Surplus		
Fund surplus	<u>\$ 76,957,673</u>	<u>\$ 56,367,421</u>

See accompanying notes to financial statements.

On behalf of the Board:



Chairperson



Vice-Chairperson

Crop Reinsurance Fund of Saskatchewan

Statement of Revenue, Expenditures and Fund Surplus

Year ended March 31, 1999 with comparative figures for 1998

	1999	1998
Revenue		
Premium ceded from the Saskatchewan Crop Insurance Corporation	\$ 20,590,252	\$ 34,341,160
Fund surplus (deficiency), beginning of year	<u>56,367,421</u>	<u>22,026,261</u>
Fund surplus, end of year	<u><u>\$ 76,957,673</u></u>	<u><u>\$ 56,367,421</u></u>

See accompanying notes to financial statements.

Crop Reinsurance Fund of Saskatchewan

Notes to Financial Statements

March 31, 1999

1. Status of the fund:

The Canada - Saskatchewan Crop Insurance Agreement between the Government of the Province of Saskatchewan and the Government of Canada provided for the establishment of two reinsurance funds:

- a) The Crop Reinsurance Fund of Saskatchewan which was administered by the Government of the Province of Saskatchewan, and
- b) The Crop Reinsurance Fund of Canada for Saskatchewan which was administered by the Government of Canada.

2. Significant accounting policies:

Premium ceded from the Saskatchewan Crop Insurance Corporation:

Under the terms of the agreement referred to in note 1, the Saskatchewan Crop Insurance Corporation is required to pay reinsurance premiums to the reinsurance funds based on premiums received during the insurance year.

Liability for claim payments from the reinsurance funds:

Under the terms of the agreement referred to in note 1, payments were made out of the reinsurance funds if indemnities which were required to be paid in an insurance year exceeded the aggregate of:

- a) the premium receipts for the year less reinsurance premiums ceded, and
- b) the reserve fund balance of the Saskatchewan Crop Insurance Corporation Insurance Fund.

To the extent that payments were required out of the reinsurance funds, the Crop Reinsurance Fund of Saskatchewan or the Government of the Province of Saskatchewan General Revenue Fund was responsible firstly for an amount not exceeding 2½ per cent of the total liability under policies in force in the insurance year.

The balance of indemnities to be paid were shared 75 per cent by Canada and 25 per cent by Saskatchewan out of the respective reinsurance funds, excepting that Saskatchewan was not responsible for any amounts described in the preceding paragraph if its reinsurance deficit exceeded 16½ per cent of the total liability under policies of insurance in force in that year.

Measurement Uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ materially from those estimated.

3. Due from Province of Saskatchewan General Revenue Fund:

The Crop Reinsurance Fund bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of the Province of Saskatchewan.

4. Statement of changes in financial position:

A statement of changes in financial position has not been prepared as a separate statement would not provide additional, useful information.

Interest earned on these funds is not allocated to the Crop Reinsurance Fund.

Crop Reinsurance Fund of Saskatchewan Notes to Financial Statements

5. Fair value of financial assets:

The carrying amounts of the following financial assets and liabilities approximate fair value due to their short term nature:

- Due from the Province of Saskatchewan General Revenue Fund.
- Reinsurance premium receivable from the Saskatchewan Crop Insurance Corporation

6. Year 2000

The year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize that year 2000 is 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and, if, not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of the suppliers, or other third parties, will be fully resolved.

AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the statement of financial position of the Extended Health Care Plan as at December 31, 1998 and the statement of operations for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelieff

Regina, Saskatchewan
February 8, 1999

Wayne Strelieff, CA
Provincial Auditor

EXTENDED HEALTH CARE PLAN STATEMENT OF FINANCIAL POSITION

STATEMENT 1

AS AT DECEMBER 31

	<u>1998</u>	<u>1997</u>
ASSETS		
Cash	\$ 991,104	\$167,863
Contributions receivable	45,518	7,709
Interest receivable	<u>4,035</u>	<u>-</u>
	<u>\$1,040,657</u>	<u>\$175,572</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 541	\$ 6,131
 Net assets (Note 5) (Statement 2)	<u>1,040,116</u>	<u>169,441</u>
	<u>\$1,040,657</u>	<u>\$175,572</u>

(See accompanying notes to the financial statements.)

**EXTENDED HEALTH CARE PLAN
STATEMENT OF OPERATIONS**
STATEMENT 2
FOR THE PERIOD ENDED DECEMBER 31

	1998		1997
	Budget	Actual	Actual
REVENUES			
Employer contributions	\$3,750,000	\$3,935,131	\$2,983,441
Employee contributions	-	-	24,519
Interest	<u>12,000</u>	<u>23,426</u>	<u>2,875</u>
	3,762,000	3,958,557	3,010,835
EXPENSES			
Insurance premiums	3,070,000	3,087,622	2,812,416
Service fees	<u>500</u>	<u>260</u>	<u>-</u>
	3,070,500	3,087,882	2,812,416
Surplus for the year	691,500	870,675	198,419
NET ASSETS (DEFICIT), BEGINNING OF PERIOD	<u>169,441</u>	<u>169,441</u>	<u>(28,978)</u>
NET ASSETS, END OF PERIOD - to Statement 1	\$ <u>860,941</u>	\$ <u>1,040,116</u>	\$ <u>169,441</u>

(See accompanying notes to the financial statements.)

EXTENDED HEALTH CARE PLAN NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

1. Description of the Plan

The Extended Health Care Plan (Plan) was established on October 1, 1996 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain union employees of the Government of Saskatchewan.

The Plan is funded from employer contributions, whose participation in the Plan has been approved by the Lieutenant Governor in Council.

The Plan pays premiums to the Crown Life Insurance Company of Canada who provide insured extended health coverage as outlined in an agreement. The Plan's risk is limited to the payment of its premiums. The Plan is under an agreement with Crown Life Insurance Company of Canada for a period of 39 months until December 31, 1999.

The Joint Board of Trustees created under certain collective bargaining agreements, made up of equal representation of union members and employer representatives, is responsible for the management and investment of the Plan.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant:

a) Basis of Accounting

These financial statements are prepared on the accrual basis of accounting.

3. Cash Flow Statement

A cash flow statement has not been provided since cash flow information is readily apparent from the other financial statements.

4. Financial Instruments

The Plan's financial instruments include cash, contributions receivable, interest receivable, and accounts payables. Due to the immediate or short-term nature, the fair value for these instruments approximates carrying value.

5. Net Assets

Net assets of the Plan are intended to offset cost increases of dental plan enhancement and extended health care benefits.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

All employer contributions and contribution receivable are from related parties.

The Public Employees Benefits Agency manages the Plan. In accordance with established government policy, the Plan has not been charged with certain costs including financing and administrative costs. These costs have been absorbed by various departmental appropriations and therefore, no provision for such costs is reflected in these financial statements.

7. Budget

The Plan submitted the budget to Treasury Board.

8. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Plan's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Plan, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

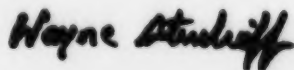
AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the statement of financial position of the Extended Health Care Plan For Certain Other Employees as at December 31, 1998 and the statement of operations for the year then ended. The Plan's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
February 5, 1999

Wayne Strelloff, CA
Provincial Auditor

**EXTENDED HEALTH CARE PLAN FOR CERTAIN
OTHER EMPLOYEES
STATEMENT OF FINANCIAL POSITION**

STATEMENT 1

AS AT DECEMBER 31

	<u>1998</u>	<u>1997</u>
ASSETS		
Due from General Revenue Fund (Note 4)	\$919,226	\$443,476
Employer contributions receivable	<u>36,147</u>	<u>32,925</u>
	<u>\$955,373</u>	<u>\$476,401</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable	\$ 45,826	\$ 19,783
Net assets (Statement 2)	<u>909,547</u>	<u>456,618</u>
	<u>\$955,373</u>	<u>\$476,401</u>

(See accompanying notes to the financial statements.)

**EXTENDED HEALTH CARE PLAN FOR CERTAIN
OTHER EMPLOYEES
STATEMENT OF OPERATIONS**

STATEMENT 2

FOR THE YEAR ENDED DECEMBER 31

	1998		1997
	Budget	Actual	Actual
REVENUES			
Employer contributions	\$1,250,000	\$1,207,794	\$1,174,630
Interest (Note 4)	<u>20,000</u>	<u>37,530</u>	<u>5,458</u>
	<u>1,270,000</u>	<u>1,245,324</u>	<u>1,180,088</u>
EXPENSES			
Insurance premiums	775,000	792,395	723,436
Service fees	<u>500</u>	<u>-</u>	<u>34</u>
	<u>775,500</u>	<u>792,395</u>	<u>723,470</u>
Surplus for the year	494,500	452,929	456,618
NET ASSETS, BEGINNING OF YEAR	<u>456,618</u>	<u>456,618</u>	<u>-</u>
NET ASSETS, END OF YEAR - to Statement 1	<u>\$ 951,118</u>	<u>\$ 909,547</u>	<u>\$ 456,618</u>

(See accompanying notes to the financial statements.)

EXTENDED HEALTH CARE PLAN FOR CERTAIN OTHER EMPLOYEES NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

1. Description of the Plan

The Extended Health Care Plan For Certain Other Employees (Plan) was established on January 1, 1997 pursuant to subsection 64(2) of *The Financial Administration Act, 1993*. The Plan provides extended health care benefits to certain out-of-scope employees of the Government of Saskatchewan.

The Plan is funded from employer contributions, whose participation in the Plan has been approved by the Lieutenant Governor in Council.

The Plan pays premiums to the Crown Life Insurance Company of Canada who provide insured extended health coverage as outlined in an agreement. The Plan's risk is limited to the payment of its premiums. The Plan is under an agreement with Crown Life Insurance Company of Canada for a period of 36 months until December 31, 1999.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant:

a) Basis of Accounting

These financial statements are prepared on the accrual basis of accounting.

3. Cash Flow Statement

A cash flow statement has not been provided since cash flow information is readily apparent from the other financial statements.

4. Due from General Revenue Fund

The Plan's bank account is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis into the Plan's bank account using the Government's thirty day borrowing rate, and the fund's average daily bank account balance.

5. Financial Instruments

The Plan's financial instruments include Due from General Revenue Fund, employer contributions receivable and accounts payable. Due to the immediate or short-term nature, the fair value of these instruments approximates carrying value.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Plan by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

All employer contributions and employer contribution receivables are from related parties.

The Plan is managed by the Public Employees Benefits Agency. In accordance with established government policy, the Plan has not been charged with certain costs including financing and administrative costs. These costs have been absorbed by various departmental appropriations and therefore, no provision for such costs is reflected in these financial statements.

The Plan also receives amounts from the Legislative Assembly Office, Judges, Human Rights Commission, and other caucus groups and makes payments to Crown Life Insurance Company of Canada on their behalf. During the year, the Plan received \$116,295 (1997 - \$38,950) from the General Revenue Fund for the above groups and paid \$91,302 (1997 - \$19,326) to Crown Life Insurance Company of Canada. The balance of \$44,617 (1997 - \$19,624) is shown as an accounts payable on the statement of financial position. These receipts and payments are not considered part of the Plan's operations and are not included in the statement of operations.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

7. Budget

The Plan submitted the budget to Treasury Board.

8. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Plan's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Plan, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.



KPMG LLP
Chartered Accountants

AUDITORS' REPORT TO THE TRUST BENEFICIARIES

We have audited the balance sheet of First Nations Trust Fund as at March 31, 1999 and the statements of revenue and expenditures and unrestricted surplus, security recourse reserve and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Saskatoon, Saskatchewan
June 7, 1999



FIRST NATIONS TRUST FUND

Balance Sheet

March 31, 1999

	1999	1998
Assets		
Current assets:		
Cash	\$ 37,869	\$ 10,142
Restricted cash (note 2)	-	857,617
Gaming revenue receivable	1,012,500	-
	<u>\$ 1,050,369</u>	<u>\$ 867,759</u>

Liabilities and Trust Balances

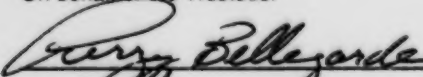
Current liabilities:		
Payable to First Nations	\$ 834,283	\$ 10,142
Payable to First Nations Addictions Rehabilitation Foundation	191,086	-
Payable to Saskatchewan Indian Gaming Commission	25,000	-
	<u>1,050,369</u>	<u>10,142</u>
Trust balances:		
Security recourse reserve (note 2)	-	857,617
Unrestricted surplus	-	-
	-	<u>857,617</u>

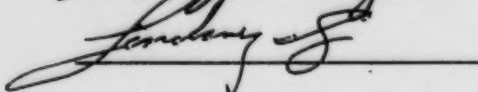
Contingency (note 6)

	<u>\$ 1,050,369</u>	<u>\$ 867,759</u>
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See accompanying notes to financial statements.

On behalf of the Trustees:

 Trustee

 Trustee

FIRST NATIONS TRUST FUND

Statement of Revenue and Expenditures and Unrestricted Surplus

Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
Revenue:		
Gaming revenue	\$ 13,603,077	\$ 7,509,168
Interest	73,282	27,352
	<u>13,676,359</u>	<u>7,536,520</u>
Expenditures:		
Distributions to First Nations	13,490,126	6,210,017
First Nations Addictions Rehabilitation Foundation	764,350	270,173
National assembly travel subsidy (note 3)	-	138,000
Contribution to FSIN Senate (note 4)	144,000	-
Saskatchewan Indian Gaming Commission	100,000	131,913
Saskatchewan Indian Veterans Association	35,500	35,500
	<u>14,533,976</u>	<u>6,785,603</u>
Excess (deficiency) of revenue over expenditures	(857,617)	750,917
Unrestricted surplus, beginning of year	-	-
Net transfers from (to) security recourse reserve	857,617	(750,917)
Unrestricted surplus, end of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

FIRST NATIONS TRUST FUND

Statement of Security Recourse Reserve

Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
Reserve, beginning of year	\$ 857,617	\$ 106,700
Net transfer from (to) unrestricted surplus	(857,617)	750,917
Reserve, end of year	\$ -	\$ 857,617

See accompanying notes to financial statements.

FIRST NATIONS TRUST FUND

Statement of Cash Flows

Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
Cash provided by:		
Operations:		
Excess (deficiency) of revenue over expenditures	\$ (857,617)	\$ 750,917
Change in non-cash operating working capital:		
Gaming revenue receivable	(1,012,500)	-
Payable to First Nations	824,141	7,476
Payable to First Nations Addictions Rehabilitation Foundation	191,086	-
Payable to Saskatchewan Indian Gaming Commission	25,000	-
Increase (decrease) in cash	(829,890)	758,393
Cash position, beginning of year	867,759	109,366
Cash position, end of year	\$ 37,869	\$ 867,759
Cash position is comprised of the following balance sheet items:		
Cash	37,869	10,142
Restricted cash	-	857,617
	\$ 37,869	\$ 867,759

See accompanying notes to financial statements.

FIRST NATIONS TRUST FUND

Notes to Financial Statements

Year ended March 31, 1999

General Information

The First Nations Trust Fund (the "Fund") was established to administer and disburse funds earned through gaming activities. Pursuant to the 1994 Casino Gaming Agreement between Federation of Saskatchewan Indians, Inc. ("FSIN") and the Province of Saskatchewan (the "Province") and Section 17 of the Saskatchewan Gaming Corporation Act, the Fund is to receive 25% of the net profits of the Regina Casino which are to be distributed through the Province's General Revenue Fund. Pursuant to the 1995 Agreement between FSIN and the Province, the FSIN Gaming Act and the Trust Indenture between FSIN and the Saskatchewan Indian Gaming Commission ("SIGC"), the Fund is to receive through the Province's General Revenue Fund, a percentage of the net profits generated by casinos operated by Saskatchewan Indian Gaming Authority, Inc. ("SIGA") as follows:

For casinos located on reserves, 50% of net profits and an additional 25% of net profits for charitable purposes related to First Nations, and

For casinos not located on reserves 50% of net profits.

At any time when the cumulative total of 50% of net profits generated by casinos operated by SIGA exceeds the 25% of the net profits of the Regina Casino distributed to the Fund, the Fund shall only be entitled to 25% of the excess (the "Flip" clause).

The Fund is administered by trustees appointed by SIGC pursuant to the First Nations Gaming Act and the Saskatchewan Gaming Corporations Act.

The 1995 Gaming Agreement provides for the establishment of First Nations Addictions Rehabilitation Foundation ("FNARF") for the purpose of providing gaming addictions rehabilitation and prevention services for First Nations people. The operations of FNARF are to be funded from gaming revenues distributed by the Province to the Fund.

The Trustees may make payments from the Fund for the following purposes related to First Nations and Tribal Councils in Saskatchewan:

- economic development
- social development
- justice initiatives
- educational development
- recreational facilities operation and development
- senior and youth programs
- cultural development
- community infrastructure development and maintenance
- health initiatives, and
- any other community development and/or project.

FIRST NATIONS TRUST FUND

Notes to Financial Statements

Year ended March 31, 1999

General Information (continued):

The Trustees shall make payments from the Fund on a fair and equitable basis in accordance with guidelines approved by the Chiefs-in-Assembly. The Trustees may also disburse funds identified for charitable purposes to First Nations charities.

1. Significant accounting policies:

(a) Use of estimates:

Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures for the year. Actual results could differ from these estimates.

The 1995 Agreement between FSIN and the Province is currently under negotiation. At the agreement of the parties, distributions to the Fund during 1999, were based on 37.5% of net profits generated by casinos operated by SIGA and 25% of net profits of the Regina Casino without application of the Flip clause described above. This distribution assumes the new Agreement, presently under negotiation, would be retroactive to April 1, 1998, the start of the Fund's fiscal year. The amount of future distributions to the Fund through the Province's General Revenue Fund are dependent on the negotiations with respect to the new Agreement. Should negotiations with respect to the new Agreement be unsuccessful, or should the new Agreement not be retroactive to April 1, 1998, the final distribution could be reduced.

(b) Gaming revenues:

Gaming revenues are recorded when receivable from the Province's General Revenue Fund. Distributions of gaming revenue are made to the Fund in quarterly installments based on estimates of net profits at the SIGA casinos and the Regina Casino. Upon completion of the fiscal years of the SIGA casinos and Regina Casino, a final distribution is made to the Fund by the Province's General Revenue Fund. The amount of this final distribution is recorded as gaming revenue upon determination and allocation by the Province.

(c) Distributions to First Nations:

Distributions to First Nations are made based on guidelines approved by the Chiefs-in-Assembly. Amounts in excess of the required security recourse reserve and administrative expenditures are allocated or distributed to First Nations.

FIRST NATIONS TRUST FUND

Notes to Financial Statements

Year ended March 31, 1999

2. Restricted cash and security recourse reserve:

Prior to 1999, the Fund was required to hold in reserve, as security for repayment of a loan obtained by SIGA for the development and operation of casinos in the Province, 10% of gaming revenue received by the Fund from the Province's General Revenue Fund. In case of a default by SIGA on any of the terms or conditions of its loan agreement with its lender, those funds could have been required to repay any remaining balances of the loan. During 1999, the loan was repaid in full by SIGA and the balance of the security recourse reserve was transferred to unrestricted surplus and distributed according to the Fund's distribution formula.

3. National assembly travel subsidy:

In 1998, the Chiefs-in-Assembly approved a resolution allocating \$2,000 per First Nation to subsidize the costs of travel to the Assembly of First Nations general meeting.

4. Contribution to FSIN Senate:

In 1999, the Chief-in-Assembly approved a resolution allocating \$144,000 to the FSIN Senate to ensure the continuation of its mandate.

5. Related party transactions:

Related parties to the Fund include Saskatchewan Tribal Councils and First Nations, SIGC, FNARF, FSIN and Saskatchewan Indian Veterans Association. Expenditures to related parties are disclosed in the statements of revenue and expenditures and unrestricted surplus.

6. Uncertainty due to Year 2000:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

FIRST NATIONS TRUST FUND

Notes to Financial Statements

Year ended March 31, 1999

7. Financial assets and liabilities:

The carrying amounts of the Fund's financial assets and liabilities including gaming revenue receivable, payable to First Nations, payable to First Nations Addictions Rehabilitation Foundation and payable to Saskatchewan Indian Gaming Commission, approximate fair value due to the short-term maturity of these items.

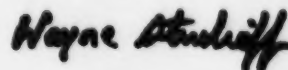
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Fish and Wildlife Development Fund as at March 31, 1999 and the statements of operations, changes in net assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
September 7, 1999.

Wayne Strelloff, CA
Provincial Auditor

Statement 1

**FISH AND WILDLIFE DEVELOPMENT FUND
STATEMENT OF FINANCIAL POSITION
As at March 31**

	<u>1999</u>	<u>1998</u>
ASSETS		
Current assets:		
Due from General Revenue Fund (Note 3)	\$ 1,548,059	\$ 1,250,345
Short-term deposits	2,173,448	1,854,044
Accounts receivable (Note 4)	<u>48,114</u>	<u>147,061</u>
	<u>3,769,621</u>	<u>3,251,450</u>
Capital assets (Note 5)	<u>13,461,171</u>	<u>12,681,031</u>
	<u>\$ 17,230,792</u>	<u>\$ 15,932,481</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	<u>\$ 298,008</u>	<u>\$ 144,013</u>
Net assets:		
Net assets invested in capital assets	13,461,171	12,681,031
Internally restricted net assets (Note 6)	2,000,000	2,000,000
Unrestricted net assets	<u>1,471,613</u>	<u>1,107,437</u>
	<u>16,932,784</u>	<u>15,788,468</u>
	<u>\$ 17,230,792</u>	<u>\$ 15,932,481</u>
Commitments (Note 7)		

(See accompanying notes to the financial statements)

Statement 2

**FISH AND WILDLIFE DEVELOPMENT FUND
STATEMENT OF OPERATIONS
For the Year Ended March 31**

	<u>1999</u>		<u>1998</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Revenues:			
General Revenue Fund (Note 4)	\$ 2,555,000	\$ 2,756,570	\$ 2,536,288
Interest	200,000	157,052	123,776
Field permits and leases	85,000	141,126	107,620
Sturgeon Study - Sask Power Corporation	25,000	---	20,827
Other revenue	<u>16,000</u>	<u>38,252</u>	<u>97,874</u>
	<u>2,881,000</u>	<u>3,093,000</u>	<u>2,886,385</u>
Expenses:			
Habitat enhancement projects (Schedule 1)	855,000	956,384	991,980
Fish enhancement projects (Schedule 1)	873,000	846,792	822,997
Grants-in-Lieu of Taxes (Note 6)	<u>150,000</u>	<u>180,828</u>	<u>176,866</u>
	<u>1,878,000</u>	<u>1,984,004</u>	<u>1,991,843</u>
Excess of revenues over expenses	<u>\$ 1,003,000</u>	<u>\$ 1,108,996</u>	<u>\$ 894,542</u>

(See accompanying notes to the financial statements)

Statement 3

**FISH AND WILDLIFE DEVELOPMENT FUND
STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31**

	<u>1999</u>				<u>1998</u>
	<u>Invested in Capital Assets</u>	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>Total</u>	<u>Total</u>
Net Assets:					
Balance, beginning of year	\$ 12,681,031	\$ 2,000,000	\$ 1,107,437	\$ 15,788,468	\$ 14,779,726
Excess of revenues over expenses	(25,398)	—	1,134,394	1,108,996	894,542
Donated land	35,320	—	—	35,320	114,200
Net investment in capital assets	<u>770,218</u>	<u>—</u>	<u>(770,218)</u>	<u>—</u>	<u>—</u>
Balance, end of year	<u>\$ 13,461,171</u>	<u>\$ 2,000,000</u>	<u>\$ 1,471,613</u>	<u>\$ 16,932,784</u>	<u>\$ 15,788,468</u>

(See accompanying notes to the financial statements)

Statement 4

**FISH AND WILDLIFE DEVELOPMENT FUND
STATEMENT OF CASH FLOWS
For the Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities		
Cash received from government grants	\$ 2,844,879	\$ 2,499,626
Cash received from customers	177,308	226,321
Interest received	168,242	112,586
Cash paid to grant recipients	(295,828)	(291,866)
Cash paid to suppliers and employees	<u>(1,508,783)</u>	<u>(1,690,897)</u>
	<u>1,385,818</u>	<u>855,770</u>
Cash flows from investing activities		
Purchase of capital assets	(768,700)	(678,032)
Increase in short-term investments	<u>(319,404)</u>	<u>(1,854,044)</u>
	<u>(1,088,104)</u>	<u>(2,532,076)</u>
Net increase in cash	297,714	(1,676,306)
Cash, beginning of year	<u>1,250,345</u>	<u>2,926,651</u>
Cash, end of year	<u>\$ 1,548,059</u>	<u>\$ 1,250,345</u>

(See accompanying notes to the financial statements)

**FISH AND WILDLIFE DEVELOPMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Purpose of the Fund

The Fish and Wildlife Development Fund (Fund) operates under the authority of Section 20 of *The Natural Resources Act*. The Fund was established for the purposes of preventing the reduction of wildlife habitat and wildlife population in the agricultural area of the province and for fish enhancement projects intended to prevent the loss of fish or fish habitat.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles for not-for-profit organizations. The following is a summary of the significant accounting policies:

a) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting.

b) Capital Assets

Purchased capital assets are recorded at cost. Amortization is provided on a straight-line basis over the asset's estimated useful life. Annual rates for equipment are from 15% to 25%.

Donated land is recorded at fair value at the date of contribution as a direct increase in net assets.

c) Investments

Short-term deposits are recorded at cost which approximates fair market value.

d) Cash

Cash included on the Statement of Cash Flows consists of Due from General Revenue Fund.

3. Due from General Revenue Fund

The Fund's money is on deposit with the General Revenue Fund (GRF) or in a bank account included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. The Fund's earned interest is calculated and paid by the GRF on a quarterly basis to the Fund using the Government's thirty-day borrowing rate and the Fund's average daily account balance. The Government's average thirty-day borrowing rate for 1998/99 is 5.04% (1997/98 - 3.77%).

4. Revenue - General Revenue Fund

The annual transfer from the General Revenue Fund has been set by Order in Council 526/95 as an amount equivalent to 30% of certain hunting and fishing licence fees collected by the Department of Environment and Resource Management. A receivable is recorded for the portion of the revenue not received before the year-end that relates to the annual licence fees. Included within accounts receivable at March 31, 1999 is \$47,563 (1998 - \$133,022) receivable from the General Revenue Fund.

5. Capital Assets

	1999		1998	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 12,587,229	\$ ---	\$ 12,587,229	\$ 11,957,633
Land - joint ownership	804,625	---	804,625	651,488
Equipment	450,388	381,071	69,317	71,910
	<u>\$ 13,842,242</u>	<u>\$ 381,071</u>	<u>\$ 13,461,171</u>	<u>\$ 12,681,031</u>

The Fund entered into agreements with other conservation agencies for the joint acquisition of land for wildlife related purposes. The above amount for land-joint ownership represents the Fund's cost of these joint ventures.

6. Internally Restricted Net Assets - Municipal Habitat Conservation

Internally restricted net assets were established to compensate rural municipalities for taxes forgone on lands acquired by the Fund for wildlife habitat conservation purposes. The interest earned on this amount is reported in the unrestricted fund and is used to assist in paying rural municipalities grants-in-lieu of taxes on Fund lands located within their boundaries.

7. Commitments

The Fund has commitments at year end to purchase land totalling \$16,000 (1998 - \$16,201) and grant commitments of \$489,750 (1998 - \$641,500) over the next five years.

8. Financial Instruments

The Fund's financial instruments include due from General Revenue Fund, short-term deposits, accounts receivable and accounts payable. The fair value of these instruments approximates their carrying value due to the immediate or short-term nature of these financial instruments. The interest rate on the short-term deposits held at March 31, 1999 is 4.90%.

9. Budget

The Budget for the Fund is included with the Department of Environment and Resource Management's budget submission to Treasury Board. Treasury Board approves the Fund's budget annually.

10. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies and boards related to the Fund by virtue of common control by the Government of Saskatchewan.

Routine operating transactions with related parties are recorded at rates charged by those organizations and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

<u>Category</u>	<u>1999</u>	<u>1998</u>
Expenses	\$ 249,780	\$ 252,424
Interest revenue	70,955	85,958
Accounts payable	31,853	24,236

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

The Fund pays Saskatchewan Education and Health tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

In accordance with established government practice, the Fund has not been charged with certain occupancy, financing, administrative and certain other costs. These costs have been absorbed by various departmental appropriations and, therefore, no provision for such costs is reflected in these financial statements.

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Fund's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

12. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Schedule 1

FISH AND WILDLIFE DEVELOPMENT FUND
SCHEDULE OF EXPENSES
For the Year Ended March 31

	<u>Wildlife Habitat Projects</u>	<u>Fish Enhancement Projects</u>	<u>Total 1999</u>	<u>Total 1998</u>
Salaries	\$ 494,357	\$ 521,191	\$ 1,015,548	\$ 1,047,970
Contractual services	144,621	81,704	226,325	194,734
Supplies and materials	85,824	92,058	177,882	148,541
Grants	115,000	---	115,000	115,000
Central Vehicle Agency	56,777	52,128	108,905	108,377
Utilities	---	53,145	53,145	56,998
Travel expenses	34,123	15,411	49,534	34,634
Amortization	6,409	18,989	25,398	29,130
Telephone	12,472	10,533	23,005	26,320
Habitat leases	3,441	1,182	4,623	47,196
Communications	3,360	451	3,811	6,077
	<u>\$ 956,384</u>	<u>\$ 846,792</u>	<u>\$ 1,803,176</u>	<u>\$ 1,814,977</u>

AUDITOR'S REPORT

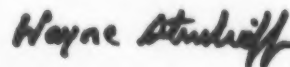
To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Horned Cattle Fund as at March 31, 1999 and the statements of revenue, expenditures and net assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Horned Cattle Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
September 8, 1999



Wayne Strelieff, CA
Provincial Auditor

Statement 1

HORNED CATTLE FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	<u>1999</u>	<u>1998</u>
ASSETS		
Current Assets:		
Due from General Revenue Fund (Note 4)	\$ 122,170	\$ 153,868
Accounts receivable	123,900	112,286
Accrued interest receivable	<u>1,877</u>	<u>1,783</u>
	<u><u>\$ 247,947</u></u>	<u><u>\$ 267,937</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 19,016	\$ 10,117
Net assets (Statement 2)	<u>228,931</u>	<u>257,820</u>
	<u><u>\$ 247,947</u></u>	<u><u>\$ 267,937</u></u>

(See accompanying notes to the financial statements)

Statement 2

HORNED CATTLE FUND
STATEMENT OF REVENUE, EXPENDITURES AND NET ASSETS
Year Ended March 31

	Budget 1999 (Note 8)	Actual 1999	Actual 1998
Revenue			
Deductions under Section 3 and 4 of <i>The Horned Cattle Purchases Act</i>	\$ 193,000	\$ 170,991	\$ 201,485
Less commissions	<u>(3,000)</u>	<u>(2,794)</u>	<u>(3,385)</u>
Net deductions (Note 3)	190,000	168,197	198,100
Cattle Sales			
Swift Current Forage Project	100,000	136,131	139,059
Western Beef Development Centre	200,000	118,299	370,186
Interest (Note 4)	13,000	8,678	6,103
Miscellaneous revenue	<u>—</u>	<u>6,103</u>	<u>935</u>
Total revenue	<u>503,000</u>	<u>437,408</u>	<u>714,383</u>
Expenditures			
Grants	160,000	195,625	129,500
Operating costs (Note 7)			
Pathlow Beef Research	—	—	95,981
Swift Current Forage Project	100,000	123,410	135,162
Western Beef Development Centre	200,000	129,790	370,187
Administration charge (Note 4)	15,500	15,000	15,000
Advisory Committee expenses	<u>2,500</u>	<u>2,472</u>	<u>2,642</u>
Total expenditures (Schedule 1)	<u>478,000</u>	<u>466,297</u>	<u>748,472</u>
Surplus (deficit) for the year	<u>\$ 25,000</u>	(28,889)	(34,089)
Net assets, beginning of year		<u>257,820</u>	<u>291,909</u>
Net assets, end of year - to Statement 1		<u>\$ 228,931</u>	<u>\$ 257,820</u>

(See accompanying notes to the financial statements)

Statement 3

**HORNED CATTLE FUND
STATEMENT OF CASH FLOWS
Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Operating Activities:		
Surplus (deficit) for the year	\$ (28,889)	\$ (34,089)
Changes in non-cash working capital:		
(Increase) decrease in accounts receivable	(11,614)	(10,517)
(Increase) in accrued interest receivable	(94)	1,141
Increase (decrease) in accounts payable	<u>8,899</u>	<u>(26,490)</u>
	(2,809)	(35,866)
Increase (decrease) in cash position during the year	(31,698)	(69,955)
Due from General Revenue Fund, beginning of year	<u>153,868</u>	<u>223,823</u>
Due from General Revenue Fund, end of year	<u>\$ 122,170</u>	<u>\$ 153,868</u>

(See accompanying notes to the financial statements)

**HORNED CATTLE FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Legislative Authority

The Horned Cattle Fund is continued under *The Horned Cattle Purchases Act*. The purpose of the Fund is to promote research and development in the livestock industry. The Fund is administered by an Advisory Committee established under the Act. The Committee authorizes all expenditures from the Fund subject to the approval of the Minister of Agriculture and Food.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The following accounting principles are considered significant:

a) Accrual Basis of Accounting

The financial statements are prepared on the accrual basis of accounting.

b) Grants

Grants are recorded as expenditures when approved and the eligibility criteria, if any, have been met by the recipient.

c) Cattle

Cattle purchases are made for the purpose of research and development to improve the livestock industry. Cattle are recorded as expenditures when purchased. The estimated realizable value of the cattle herd at year end is \$427,242 (1998 - \$400,301).

d) Financial Instruments

Accounts receivable and accounts payable are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, their carrying value approximates their fair value.

3. Deductions

Dealers purchase cattle with horns at market prices. Section 3 of *The Horned Cattle Purchases Act* requires the dealers pay the vendors market price less \$2.00 for each head of cattle sold with horns. Subsection 5(1) of *The Horned Cattle Purchases Regulations, 1983* requires dealers submit \$2.00 for each head of cattle less a \$0.03 per head commission to the Fund.

4. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control or significant influence by the Government of Saskatchewan.

The Fund's money is held in the General Revenue Fund. Interest is calculated on the Fund's daily balance using the Government's thirty-day borrowing rate and is credited to the Fund on a quarterly basis. The Government's average thirty-day borrowing rate for 1998-99 is 5.04% (1997-98 – 3.77%).

The Fund paid grants to the University of Saskatchewan as noted on Schedule 1. Also, the Fund paid \$15,000 to the Livestock Services Revolving Fund for administrative expenses.

5. Projects

The Pathlow Project is an agreement between the Ministers of Agriculture of Canada and Saskatchewan, which expired on May 31, 1997. Under this agreement, Agriculture Canada operated a beef cow-calf management operation at the Melfort Research Station. Upon termination of the project, all assets became the property of the Horned Cattle Fund.

The Swift Current Project is an agreement with Agriculture Canada, effective from November 1, 1998 to October 31, 2003. Under this agreement, Agriculture Canada carries out beef forage research for the Fund on cattle at the Swift Current Research Station. Upon termination of the contract, \$30,000 will be returned to the Advisory Committee by the Research Station and the remaining assets will revert to Agriculture Canada.

The Minister of Agriculture and Food entered into an agreement with the Western Beef Development Centre (WBDC) on December 1, 1996 effective to November 30, 2001. The agreement provides the Fund will loan cattle that were previously at the Pathlow Project to WBDC for research purposes. At the conclusion of the agreement, all funds remaining in the account are to be returned to the Fund.

6. Commitments

At year end, the Fund had approved grants for payment in 1999/2000 of \$121,000 and in 2000/2001 of \$30,000.

7. Research Project Expenditures by Activity

	Pathlow Research Project		Swift Current Project		Western Beef Development Centre	
	1999	1998	1999	1998	1999	1998
Trucking and Travel	\$ —	\$ 5,239	\$ —	\$ —	\$ 6,674	\$ 9,383
Corral Cleaning	—	14,030	—	—	—	—
Feed Supplements	—	161	—	—	20,193	85,326
Chemicals & Seed	—	—	—	—	—	—
Veterinary Services and Supplies	—	5,898	4,456	5,525	4,750	5,201
Research Project	—	—	—	—	8,846	174,355
Fertilizer	—	—	—	—	—	—
Salaries	—	19,956	29,681	26,523	38,510	32,874
Purchases of Cattle	—	—	74,790	84,020	50,817	63,048
Administration	—	2,423	13,613	16,301	—	—
Miscellaneous	—	8,578	870	2,793	—	—
Severance and Career Assistance	—	39,696	—	—	—	—
	<u>\$ —</u>	<u>\$ 95,981</u>	<u>\$ 123,410</u>	<u>\$ 135,162</u>	<u>\$ 129,790</u>	<u>\$ 370,187</u>

8. 1998/99 Budget

The Advisory Committee approved the 1998/99 budget on January 22, 1998.

9. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of third parties, will be fully resolved.

Schedule 1

**HORNED CATTLE FUND
DETAILED LIST OF EXPENSES
For the Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Personal Services:		
C. Guenther	\$ 3,788	\$ —
K. Letkeman	26,573	21,849
T. Olson	—	3,610
Unionized staff	37,830	39,696
Board member costs	<u>1,080</u>	<u>2,210</u>
	<u>69,271</u>	<u>67,365</u>
Travel:		
Other	<u>1,392</u>	<u>1,396</u>
Grants:		
University of Saskatchewan:		
3 Home Study Course	2,000	—
Western College of Veterinary Medicine	48,925	31,500
Veterinary Infections Disease Organization	40,000	35,000
Centre of Agriculture Medicine	—	8,000
Canadian Western Agribition Association	10,000	—
Prairie Diagnostic Services Inc.	33,600	—
Canada Beef Export Federation	50,000	50,000
Foundation of Animal Care	5,000	5,000
Saskatchewan Livestock Association	<u>6,100</u>	<u>—</u>
	<u>195,625</u>	<u>129,500</u>
Supplier Payments:		
Cowtown Livestock	52,440	—
Heartland Livestock Services	50,912	137,356
Payees under \$20,000	<u>96,657</u>	<u>412,855</u>
	<u>200,009</u>	<u>550,211</u>
	<u>\$ 466,297</u>	<u>\$ 748,472</u>

LOIS A. JOHNSON, C.M.A.
CERTIFIED MANAGEMENT ACCOUNTANT

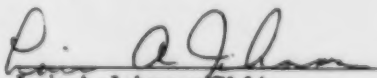
To the Members
Irrigation Crop Diversification Corporation

I have audited the statement of financial position of the Irrigation Crop Diversification Corporation as at March 31, 1999 and the statement of revenues for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit also includes examining on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Delisle, Saskatchewan
May 14, 1999


Lois A. Johnson CMA

Irrigation Crop Diversification Corporation
Balance Sheet
As at March 31, 1999

ASSETS:	1999	1998
CU Membership	\$ 5.00	\$ 5.00
Cash and Bank	36,920.02	3,784.00
Short Term Investments	35,858.74	
Accounts Receivable	<u>1,054.90</u>	<u></u>
	\$ 73,838.66	\$ 3,789.00
LIABILITIES AND MEMBERS' EQUITY:		
GST payable	\$ 4,465.19	\$ 247.74
Prepaid Member Levies	576.45	
Contracts Payable	1,108.76	
MEMBERS' EQUITY:		
Members' Equity	<u>67,688.26</u>	<u>3,541.26</u>
	\$ 73,838.66	\$ 3,789.00

Irrigation Crop Diversification Corporation
Statement of Surplus
As at March 31, 1999

Opening Balance	\$ 3,541.26
From operations	<u>64,147.00</u>
Ending Balance	\$ 67,688.26

**Irrigation Crop Diversification Corporation
Statement of Revenue and Expenditure
For the year ended March 31, 1999**

REVENUE:	1999	1998
Member Levies	\$ 28,625.69	\$ 3,541.26
Non District Levies	32,710.28	
Incoming Contracts	18,250.20	
Crop Management Project Fees	2,261.68	
Forage Management Project Fees	700.93	
Interest	<u>358.74</u>	<u> </u>
Total Revenue	\$ 82,907.52	\$ 3,541.26
EXPENDITURE:		
Outgoing Contracts	\$ 18,250.20	\$
Professional Fees	500.00	
Office Expense	<u>10.32</u>	<u> </u>
Total Expenditure	\$ <u>18,760.52</u>	\$ <u> </u>
Net Surplus for the Period	\$ 64,147.00	\$ 3,541.26

Irrigation Crop Diversification Corporation
Changes in Financial Position
As at March 31, 1999

Opening Cash	\$ 3,789.00
From Operation	64,147.00
Increase in Accounts Receivable	1,054.90-
Increase in Accounts Payable	5,902.66+
Closing Cash	\$ 72,783.76

**Irrigation Crop Diversification Corporation
Notes to Financial Statements
At March 31, 1998**

The objects and purposes of ICDC are:

a) to research and demonstrate to producers and irrigation districts profitable agronomic practices for irrigated crops;

b) to develop or assist in developing varieties of crops suitable for irrigated conditions;

c) to develop or assist in developing varieties of crops suitable for irrigated conditions; to provide means to researchers to conduct research into related technology, cropping systems and conservation measures under irrigation and to provide information respecting their research to members irrigation districts and the public;

d) to co-operate with SIPA, the minister and Sask Water Corporation in promoting and developing sustainable irrigation in Saskatchewan.

2. The annual charges are to cover ICDC's operating and administrative costs for the fiscal year. As 1999 is the second fiscal year of operation, no funds have been disbursed for this purpose, and there are no restricted funds in the possession of the Corporation.

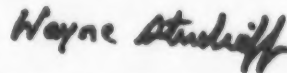
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Law Reform Commission of Saskatchewan as at March 31, 1999, and the statement of operations and changes in net assets and cash flows for the year then ended. The Commission's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Wayne Strelieff, CA
Provincial Auditor

Regina, Saskatchewan
September 15, 1999

Statement 1

LAW REFORM COMMISSION OF SASKATCHEWAN
STATEMENT OF FINANCIAL POSITION
As at March 31

	<u>1999</u>	<u>1998</u>
ASSETS		
Current		
Cash	\$ 63,331	\$ 55,499
Accounts Receivable	1,420	---
Prepaid Expense	142	---
Capital assets (Note 3)	<u>1,792</u>	<u>1</u>
Total Assets	<u>\$ 66,685</u>	<u>\$ 55,500</u>
NET ASSETS		
Net assets (Statement 2)	<u>\$ 66,685</u>	<u>\$ 55,500</u>

(See accompanying notes to the financial statements)

Statement 2

**LAW REFORM COMMISSION OF SASKATCHEWAN
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Revenues		
General Revenue Fund appropriation	\$ 55,000	\$ 55,000
Law Foundation grants	55,000	55,000
Interest	<u>1,221</u>	<u>515</u>
	111,221	110,515
Expenses		
Salaries and employee benefits	72,664	79,628
Commissioners' honoraria and expenses	15,222	16,971
Rent	6,600	6,600
Conference	2,344	1,486
Office supplies and services	1,250	965
Printing	1,102	1,347
Communications	343	235
Miscellaneous	287	335
Amortization Expense	<u>224</u>	<u>---</u>
	<u>100,036</u>	<u>107,567</u>
Excess of revenues over expenses	11,185	2,948
Net asset balance, beginning of year	<u>55,500</u>	<u>52,552</u>
Net asset balance, end of year (to Statement 1)	<u>\$ 66,685</u>	<u>\$ 55,500</u>

(See accompanying notes to the financial statements)

Statement 3

**LAW REFORM COMMISSION OF SASKATCHEWAN
STATEMENT OF CASH FLOWS
Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities		
General Revenue Fund appropriation	\$ 55,000	\$ 55,000
Law Foundation grants	55,000	55,000
Interest received	1,221	515
Cash paid to suppliers and employees	<u>(101,374)</u>	<u>(107,567)</u>
Cash flows from operating activities	9,847	2,948
Cash flows from investing activities		
Purchase of capital assets	<u>(2,015)</u>	<u>---</u>
Net increase in cash	7,832	2,948
Cash, beginning of year	<u>55,499</u>	<u>52,551</u>
Cash, end of year	<u><u>\$ 63,331</u></u>	<u><u>\$ 55,499</u></u>

(See accompanying notes to the financial statements)

LAW REFORM COMMISSION OF SASKATCHEWAN
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Incorporation

The Law Reform Commission Act was amended effective November 6, 1987. At that date the Commission became a body corporate and continued the operations of the Law Reform Commission of Saskatchewan.

The purpose of the Commission is to review all the law of the Province with a view to its systematic development and reform and generally the simplification and modernization of the law.

2. Significant Accounting Policies

Revenue Recognition

The Law Reform Commission of Saskatchewan recognizes revenue when received or receivable.

Capital Assets

Capital assets are recorded at cost. The capital assets are reduced annually for the consumed cost of the asset calculated upon the straight line method and a useful life of 3 years.

3. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 1999	Net Book Value 1998
Office equipment	\$ 21,144	\$ 21,143	\$ 1	\$ 1
Computer	2,015	224	1,791	---
	<u>\$ 23,159</u>	<u>\$ 21,367</u>	<u>\$ 1,792</u>	<u>\$ 1</u>

4. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Law Reform Commission of Saskatchewan by virtue of common control or significant influence by the Government of Saskatchewan.

The following table summarizes the Commission's related party transactions that are in the normal course of operations. These transactions are recorded at the standard rates charged by these parties and are settled at normal trade terms.

	<u>1999</u>	<u>1998</u>
Operating revenues - Grant from Department of Justice	\$ 55,000	\$ 55,000
Operating expenditures University of Saskatchewan - rent, other services	7,319	7,335

In addition, the Commission pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as a part of the cost of those purchases.

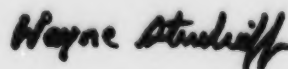
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Milk Control Board as at December 31, 1998 and the statements of revenue, expenses and net assets, and changes in financial position for the year then ended. The Board's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
March 9, 1999

Wayne Strelloff, CA
Provincial Auditor

Statement 1

**MILK CONTROL BOARD
BALANCE SHEET
As at December 31**

	<u>1998</u>	<u>1997</u>
ASSETS		
Cash	\$ 546,394	\$ 1,204,261
Accounts receivable	<u>7,526,082</u>	<u>7,412,893</u>
	8,072,476	8,617,154
Capital assets (Note 3)	<u>13,402</u>	<u>14,839</u>
	<u>\$ 8,085,878</u>	<u>\$ 8,631,993</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 7,684,603	\$ 8,344,258
Net assets (Statement 2)	<u>401,275</u>	<u>287,735</u>
	<u>\$ 8,085,878</u>	<u>\$ 8,631,993</u>

(See accompanying notes to the financial statements)

Statement 2

MILK CONTROL BOARD
STATEMENT OF REVENUE, EXPENSES AND NET ASSETS
Year Ended December 31

	Budget 1998 (Note 6)	Actual 1998	Actual 1997
Revenue:			
Milk sold to processors	\$105,000,000	\$ 94,954,588	\$ 94,659,874
Special Class Pool and Western Milk Pool (Note 4)	7,000,000	18,135,636	19,240,676
Milk Pool administration and assessment fees	655,000	666,701	679,072
Interest	49,000	79,052	36,777
Milk quality penalties	80,000	117,952	116,594
Licence fees and miscellaneous	12,490	57,372	4,882
	<u>112,796,490</u>	<u>114,011,301</u>	<u>114,737,875</u>
Expenses:			
Milk purchased from producers	112,000,000	113,090,224	113,900,550
Salaries	220,000	302,962	238,546
Milk pool administration expense	175,000	169,860	155,190
Cost of production study	40,000	23,712	20,535
Travel, sustenance and vehicle expense	75,000	75,905	80,737
Rent	39,000	35,633	37,645
Administrative expense	82,027	51,290	40,326
Employee benefits	29,864	50,429	26,674
Disposal of unsaleable milk	38,000	58,689	63,439
Honoraria	30,000	32,320	31,540
Amortization	5,443	6,737	5,681
	<u>112,734,334</u>	<u>113,897,761</u>	<u>114,600,863</u>
Surplus for the year	<u>\$ 62,156</u>	113,540	137,012
Net assets, beginning of year		<u>287,735</u>	<u>150,723</u>
Net assets, end of year - to Statement 1		<u>\$ 401,275</u>	<u>\$ 287,735</u>

(See accompanying notes to the financial statements)

Statement 3

MILK CONTROL BOARD
STATEMENT OF CHANGES IN FINANCIAL POSITION
Year Ended December 31

	<u>1998</u>	<u>1997</u>
Cash provided by (used in):		
Operating Activities:		
Net revenue	\$ 113,540	\$ 137,012
Items not involving cash:		
Amortization	6,737	5,681
Changes in non-cash working capital:		
(Increase) decrease in accounts receivable	(113,189)	(1,657,637)
(Decrease) increase in accounts payable	<u>(659,655)</u>	<u>2,209,141</u>
Cash provided by (used in) operating activities	(652,567)	694,197
Investing Activities:		
Purchase of capital assets	<u>(5,300)</u>	<u>(2,053)</u>
Net (decrease) increase in cash during the year	(657,867)	692,144
Cash position, beginning of year	<u>1,204,261</u>	<u>512,117</u>
Cash position, end of year	<u>\$ 546,394</u>	<u>\$ 1,204,261</u>

(See accompanying notes to the financial statements)

**MILK CONTROL BOARD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1998**

1. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant accounting policies are as follows:

a) Accrual Accounting

The financial statements are prepared on the accrual basis of accounting.

b) Capital Assets

Office furniture and equipment is recorded at cost less accumulated amortization.

Office furniture and equipment is amortized over its estimated useful life using the straight-line method at 20% per annum.

c) Accounts Receivable/Accounts Payable

These financial instruments are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the carrying value of these financial instruments approximates fair value.

2. Incorporation

The Milk Control Board (Board) is continued as a body corporate under *The Milk Control Act, 1992 (Act)*. The Board has authority to make any regulations or orders in connection with the production, supply, distribution or sale of milk.

The Board is responsible under the Act for the control and regulation of the marketing of milk in the province. In fulfilling this responsibility, the Board operates a milk pooling system whereby the Board purchases all milk produced in the province and sells it to processors. The purchase price paid by the Board is based on the quality and quantity of milk shipped by producers and on the value of milk sold to processors. The value of milk sold to processors is determined by its final product use and prices established by the Board.

The Board is responsible for the milk purchased from producers and milk sold to processors. The necessary collections and payments are administered by the Board's agent, Dairyworld Foods Limited (Dairyworld).

3. Capital Assets

	Cost	Accumulated Amortization	1998 Net Book Value	1997 Net Book Value
Office furniture and equipment	\$ 67,690	\$ 54,288	\$ 13,402	\$ 14,839

4. Special Class Pool and Western Milk Pool

Effective August 1, 1995, the Board entered into an arrangement with its counterparts in Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Alberta, and British Columbia and the Canadian Dairy Commission (CDC). This arrangement provides for pooling of revenues from sales of milk components in special classes of milk sold in domestic and external markets. The Special Class Pool is administered by CDC.

Effective March 1, 1997, the Board entered into an arrangement with its counterparts in British Columbia, Alberta and Manitoba and CDC. This arrangement provides for pooling of revenues from sales of milk in all classes including the Special Class Pool amount for the four western provinces. The purpose of the arrangement is to pool producer returns as if the western provinces constituted a single market. The Western Milk Pool is administered by CDC.

Based on each province's monthly sales, CDC will either distribute a portion of, or require a contribution to, the Special Class Pool and Western Milk Pool. During 1998, the sales entitled producers to Special Class Pool and Western Milk Pool revenue of \$18,135,636 (1997 - \$19,240,676).

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and

commissions related to the Board by virtue of common control or significant influence by the Government of Saskatchewan.

Routine operating transactions with related parties are recorded at the standard rates charged by those organizations and are settled on normal trade terms. These transactions are as follows:

	<u>1998</u>	<u>1997</u>
Various expenses	\$ 88,301	\$ 75,345

In addition, the Board pays Saskatchewan Education and Health tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

6. Budget

The budget for the 1998 year was approved by the Board on January 9, 1998.

7. Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Board's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Board, including those related to the efforts of sponsors, suppliers, or other third parties, will be fully resolved.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Municipal Potash Tax Sharing Administration Board as at December 31, 1998 and the statement of operations for the year then ended. The Board is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Municipal Potash Tax Sharing Administration Board as at December 31, 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelieff

Regina, Saskatchewan
February 22, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

MUNICIPAL POTASH TAX SHARING ADMINISTRATION BOARD
STATEMENT OF FINANCIAL POSITION
As at December 31

	<u>1998</u>	<u>1997</u>
ASSETS		
Current assets:		
Cash	\$ 20,477	\$ 19,334
Capital assets (Note 4)	<u>---</u>	<u>4,100</u>
	<u>\$ 20,477</u>	<u>\$ 23,434</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ <u>---</u>	\$ <u>---</u>
Net assets (Statement 2)	<u>20,477</u>	<u>23,434</u>
	<u>\$ 20,477</u>	<u>\$ 23,434</u>

(See accompanying notes to the financial statements)

Statement 2

MUNICIPAL POTASH TAX SHARING ADMINISTRATION BOARD
STATEMENT OF OPERATIONS
For the Year Ended December 31

		<u>1998</u>	<u>1997</u>
Revenues:			
Municipal taxes received from rural municipalities (Note 6)		\$ 6,081,220	\$ 5,443,315
Less: Tax Sharing Distributions (Schedule 1)			
<u>Areas of Influence</u>	<u>Rural</u>	<u>Urban</u>	
Saskatoon Lanigan	\$ 3,186,025	\$ 354,003	3,540,028
Esterhazy	1,935,256	215,029	2,150,285
Pense	340,868	37,874	378,742
Net taxes of prior years included in this year's distribution			350,285
	---	---	---
	<u>\$ 5,462,149</u>	<u>\$ 606,906</u>	<u>6,069,055</u>
		<u>12,165</u>	<u>5,432,429</u>
			<u>(642)</u>
Expenses:			
Office facilities - Saskatchewan Association of Rural Municipalities		6,000	6,000
Amortization		4,100	4,100
Secretary's honorarium and meeting expenses		3,600	3,000
Board members' allowances:			
Per diem		1,050	1,050
Mileage		187	619
Sustenance		35	85
Fidelity bond premium		150	150
		<u>15,122</u>	<u>15,004</u>
Deficit for the year		2,957	4,118
Net assets, beginning of year		<u>23,434</u>	<u>27,552</u>
Net assets, end of year - to Statement 1		<u>\$ 20,477</u>	<u>\$ 23,434</u>

(See accompanying notes to the financial statements)

MUNICIPAL POTASH TAX SHARING ADMINISTRATION BOARD
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1998

1. Authority

The Municipal Potash Tax Sharing Administration Board was established under Section 3 of *The Municipal Tax Sharing (Potash) Act*. Under provisions of the Act, taxes levied by rural municipalities on potash mines are remitted to the Board. The Board administers a tax sharing program. Disbursements to municipalities located within the areas of influence of a potash development, are made on the basis of formulae prescribed in regulations.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant.

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Capital Assets

Capital assets are recorded at cost and amortized over their useful life. Amortization is calculated on a straight-line basis at an annual rate of 20%.

3. Cash Flow Statement

A cash flow statement has not been provided since cash flow information is readily apparent from the other financial statements.

4. Capital Assets

	1998		1997
	Cost	Accumulated Amortization	Net Book Value
Computer software and information package	<u>\$ 20,500</u>	<u>\$ 20,500</u>	<u>\$ 4,100</u>

5. Administration Costs

The regulations permit the Board to withhold up to 0.5% of taxes received, to a maximum of \$25,000, for the general administration of the Board. During the year, the Board withheld 0.2% of taxes received totalling \$12,165.

6. Municipal Taxes Received From Rural Municipalities

<u>Municipality</u>	<u>RM#</u>	<u>Budget</u> <u>1998</u>	<u>Actual</u> <u>1998</u>	<u>Actual</u> <u>1997</u>
Rocanville	151	\$ 664,747	\$ 679,540	\$ 492,850
Spy Hill	152	813,152	821,969	606,767
Pense	160	374,721	379,501	350,947
Langenburg	181	639,858	653,085	483,825
Usborne	310	983,443	1,002,186	970,346
Colonsay	342	593,900	603,457	625,878
Blucher	343	550,296	654,789	660,861
Corman Park	344	527,546	536,347	574,941
Vanscoy	345	737,321	750,346	676,900
		<u>\$ 5,884,984</u>	<u>\$ 6,081,220</u>	<u>\$ 5,443,315</u>

7. Budget

The budgeted amounts disclosed in these statements are those approved by the Municipal Potash Tax Sharing Administration Board.

8. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Board's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Board, including those related to the efforts of municipalities, suppliers, or third parties, will be fully resolved.

Schedule 1

MUNICIPAL POTASH TAX SHARING ADMINISTRATION BOARD
SCHEDULE OF TAX SHARING DISTRIBUTIONS MADE TO MUNICIPALITIES
For the Year Ended December 31

	Budget 1998	Actual 1998	Actual 1997
Saskatoon/Lanigan Area			
<u>Rural Municipalities</u>			
# 279 Mount Hope	\$ 500	\$ 522	\$ 457
280 Wreford	14,921	15,605	18,749
281 Wood Creek	2,797	2,925	2,508
283 Rosedale	1,171	1,225	1,090
309 Prairie Rose	49,355	51,619	54,089
310 Usborne	252,882	264,484	270,522
312 Morris	171,796	179,678	156,232
313 Lost River	114,753	120,018	120,680
314 Dundurn	103,119	107,849	68,215
315 Montrose	108,854	113,848	92,288
316 Harris	23,861	24,956	22,575
339 Leroy	36,139	37,797	33,980
340 Wolverine	214,485	224,325	185,126
341 Viscount	212,748	222,508	201,424
342 Colonsay	230,361	240,929	217,067
343 Blucher	377,738	394,150	388,021
344 Corman Park	467,391	488,833	563,802
345 Vanscoy	397,044	415,260	473,581
346 Perdue	93,481	97,770	77,976
371 Bayne	24,163	25,272	23,005
372 Grant	36,682	38,364	32,168
373 Aberdeen	96,695	101,131	131,212
376 Eagle Creek	16,213	16,957	17,323
	<u>3,047,149</u>	<u>3,186,025</u>	<u>3,152,090</u>
<u>Urban Municipalities</u>			
Village of Aberdeen	5,922	6,192	5,853
Town of Allan	35,080	36,679	37,784
Town of Asquith	6,659	6,962	6,483
Village of Bradwell	7,246	7,576	7,310
Village of Clavet	16,940	17,713	17,731
Town of Colonsay	21,388	22,363	22,374
Town of Delmany	15,429	16,132	15,040
Town of Delisle	41,976	43,889	43,168
Village of Drake	3,086	3,226	3,001
Village of Elstow	4,647	4,859	5,137
Village of Guernsey	6,446	6,740	7,952
Village of Kinley	387	405	395
Town of Langham	13,143	13,742	13,496

Schedule 1 (Continued)

MUNICIPAL POTASH TAX SHARING ADMINISTRATION BOARD
SCHEDULE OF TAX SHARING DISTRIBUTIONS MADE TO MUNICIPALITIES
For the Year Ended December 31

	<u>Budget</u> <u>1998</u>	<u>Actual</u> <u>1998</u>	<u>Actual</u> <u>1997</u>
Saskatoon/Lanigan Area Continued			
<u>Urban Municipalities</u>			
Town of Lanigan	59,167	61,863	59,195
Village of Lockwood	300	313	321
Town of Martensville	15,766	16,485	16,608
Village of Meacham	987	1,032	1,432
Village of Perdue	5,035	5,264	4,877
Village of Plunkett	1,062	1,110	1,457
Village of Vanscoy	15,791	16,511	16,348
Village of Viscount	14,742	15,414	14,768
Town of Vonda	3,610	3,775	3,297
Town of Warman	19,751	20,652	20,720
Town of Watrous	17,865	18,679	17,731
Village of Young	3,998	4,180	4,346
Village of Zelma	2,149	2,247	3,408
	<u>338,572</u>	<u>354,003</u>	<u>350,232</u>
	<u>3,385,721</u>	<u>3,540,028</u>	<u>3,502,322</u>
Esterhazy Area			
<u>Rural Municipalities</u>			
# 121 Moosomin	55,729	56,698	48,401
122 Martin	15,502	15,772	14,054
151 Rocanville	375,964	382,503	274,190
152 Spy Hill	465,391	473,486	400,839
153 Willowdale	66,384	67,538	30,520
181 Langenburg	375,093	381,617	280,370
183 Fertile Belt	327,276	332,969	239,347
211 Churchbridge	137,652	140,047	81,695
213 Saltcoats	83,179	84,626	53,002
	<u>1,902,170</u>	<u>1,935,256</u>	<u>1,422,418</u>
<u>Urban Municipalities</u>			
Village of Atwater	450	458	302
Village of Bangor	733	745	526
Resort Village of Birds Point	578	589	244
Town of Bredenbury	4,730	4,812	3,799
Town of Churchbridge	10,475	10,657	8,952
Town of Esterhazy	87,348	88,867	60,475
Village of Gerald	8,431	8,578	7,248
Town of Langenburg	13,624	13,861	10,501

Schedule 1 (Continued)

MUNICIPAL POTASH TAX SHARING ADMINISTRATION BOARD
SCHEDULE OF TAX SHARING DISTRIBUTIONS MADE TO MUNICIPALITIES
For the Year Ended December 31

	<u>Budget</u> <u>1998</u>	<u>Actual</u> <u>1998</u>	<u>Actual</u> <u>1997</u>
Esterhazy Area (Continued)			
<u>Urban Municipalities</u>			
Town of Rocanville	44,985	45,767	32,809
Village of Spy Hill	13,573	13,809	11,573
Village of Stockholm	4,576	4,655	3,809
Village of Tantallon	7,814	7,951	6,274
Village of Welwyn	7,506	7,637	6,274
Village of Yarbo	<u>6,529</u>	<u>6,643</u>	<u>5,260</u>
	<u>211,352</u>	<u>215,029</u>	<u>158,046</u>
	<u>2,113,522</u>	<u>2,150,285</u>	<u>1,580,464</u>
Pense Area			
<u>Rural Municipalities</u>			
# 129 Bratt's Lake	2,404	2,435	2,175
130 Redburn	49,708	50,342	34,434
131 Baidon	16,878	17,093	13,224
159 Sherwood	26,532	26,870	19,143
160 Pense	140,881	142,679	151,077
161 Moose Jaw	64,780	65,607	62,836
189 Lumsden	10,061	10,189	9,552
190 Dufferin	18,837	19,077	18,018
191 Marquis	<u>6,493</u>	<u>6,576</u>	<u>4,797</u>
	<u>336,574</u>	<u>340,868</u>	<u>315,256</u>
<u>Urban Municipalities</u>			
Village of Belle Plaine	2,567	2,600	2,955
Village of Bethune	3,761	3,809	3,408
Village of Briercrest	1,254	1,269	1,293
Village of Disley	511	518	554
Village of Drinkwater	3,490	3,534	2,881
Village of Grand Coulee	3,370	3,413	2,549
Village of Pense	21,421	21,695	20,539
Village of Tuxford	<u>1,023</u>	<u>1,036</u>	<u>850</u>
	<u>37,397</u>	<u>37,874</u>	<u>35,029</u>
	<u>373,971</u>	<u>378,742</u>	<u>350,285</u>
Net taxes of prior years included in this year's distribution	<u>---</u>	<u>---</u>	<u>(642)</u>
Total tax sharing - to Statement 2	<u>\$ 5,873,214</u>	<u>\$ 6,069,055</u>	<u>\$ 5,432,429</u>

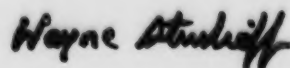
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Northern Revenue Sharing Trust Account as at December 31, 1998 and the statements of revenues, expenditures and net assets and cash flows for the year then ended. The Northern Revenue Sharing Trust Account's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Northern Revenue Sharing Trust Account as at December 31, 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
February 15, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

NORTHERN REVENUE SHARING TRUST ACCOUNT
STATEMENT OF FINANCIAL POSITION
As at December 31

	<u>1998</u>	<u>1997</u>
Financial assets		
Cash and temporary investments	\$ 19,270,735	\$ 15,353,693
Accounts receivable (Note 4)	1,602,524	1,150,182
Inventory	426,274	-
Prepaid expenditures	110,326	109,348
Land held for resale	6,450	5,250
	<u>\$ 21,416,309</u>	<u>\$ 16,618,473</u>
 Liabilities		
Unearned revenue	\$ 1,505,016	\$ 1,419,540
Grants payable	1,510,369	1,344,464
Accounts payable	639,137	354,269
Taxes collected for others	118,556	129,964
	<u>\$ 3,773,078</u>	<u>\$ 3,248,237</u>
 Net assets (Note 8)	 <u><u>\$ 17,643,231</u></u>	 <u><u>\$ 13,370,236</u></u>
 Tangible capital assets (Note 5)		
Commitments (Note 6)		

(see accompanying notes to the financial statements)

Statement 2

NORTHERN REVENUE SHARING TRUST ACCOUNT
STATEMENT OF REVENUES, EXPENDITURES AND NET ASSETS
For the Year Ended December 31

	1998		1997
	Budget	Actual	Actual
	(Note 7)		
Revenues:			
Transfers (Note 10)	\$ 7,307,210	\$ 7,020,885	\$ 4,572,870
Crown lease fees	4,026,710	3,921,611	4,247,653
Taxation	952,741	1,008,967	948,695
Interest	523,579	762,944	516,296
Land and capital asset sales	827,050	1,607,472	786,731
Utility and fuel supply sales	237,620	206,553	24,759
Other	24,198	40,948	106,431
	<u>13,899,108</u>	<u>14,569,380</u>	<u>11,203,435</u>
Expenditures: (Note 9)			
Grants:			
Northern revenue sharing	4,974,761	4,952,163	4,822,692
Water and sewer	2,742,800	1,286,572	568,869
Infrastructure	709,100	486,334	531,321
Northern capital	826,300	754,525	373,813
Tangible capital asset expenditures	1,284,358	1,155,516	356,796
Municipal Services:			
General government	898,437	822,886	801,640
Transportation services	259,930	209,064	185,961
Utilities and fuel operating costs	1,030,000	270,337	85,548
Community projects	137,980	94,323	145,207
Recreation and cultural	154,860	98,563	133,023
Environmental	167,670	119,964	126,298
Protective services	18,600	4,791	9,100
Public health and welfare	14,800	2,841	13,762
Bad debt expense	42,120	38,506	9,776
	<u>13,261,716</u>	<u>10,296,385</u>	<u>8,163,806</u>
Surplus for the year	<u>637,392</u>	4,272,995	3,039,629
Net assets, beginning of year		<u>13,370,236</u>	<u>10,330,607</u>
Net assets, end of year		<u>\$ 17,643,231</u>	<u>\$ 13,370,236</u>

(see accompanying notes to the financial statements)

Statement 3

NORTHERN REVENUE SHARING TRUST ACCOUNT
CASH FLOW STATEMENT
Year Ended December 31

	<u>1998</u>	<u>1997</u>
Cash provided by (used in):		
Operating Activities:		
Surplus for the year	\$ 4,272,995	\$ 3,039,629
Change in non-cash working capital:		
Accounts receivable	(452,342)	(406,922)
Inventory	(426,274)	-
Prepaid expenditures	(978)	528
Land held for resale	(1,200)	100
Unearned revenue	85,476	19,599
Grants payable	165,905	118,709
Accounts payable	284,868	(290,579)
Taxes collected for others	(11,408)	53,416
Cash provided by operating activities	<u>3,917,042</u>	<u>2,534,480</u>
Cash and temporary investments, beginning of year	<u>15,353,693</u>	<u>12,819,213</u>
Cash and temporary investments, end of year	<u><u>\$ 19,270,735</u></u>	<u><u>\$ 15,353,693</u></u>

(see accompanying notes to the financial statements)

NORTHERN REVENUE SHARING TRUST ACCOUNT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1998

1. Authority

The Northern Revenue Sharing Trust Account (NRSTA) was established by Section 287 of *The Northern Municipalities Act* (Act). NRSTA administers all revenues relating to Northern Saskatchewan Administration District and all moneys appropriated by the Legislature for the purposes of issuing northern revenue sharing and northern capital grants.

2. Significant Accounting Policies

These financial statements are prepared using accounting principles appropriate for the public sector. The following policies are considered to be significant:

a) **Basis of Accounting**

The financial statements are prepared on the accrual basis of accounting.

b) **Tangible capital Assets**

Tangible capital assets are charged to expenditures in the year the asset is acquired.

c) **Inventory**

Inventory held for resale is valued at the lower of average cost and net realizable value.

d) **Tax Enforcement Properties**

Properties acquired through the tax enforcement process are recorded at the lower of the outstanding taxes and the net realizable value.

e) **Taxes Collected for Others**

Pursuant to the Act, NRSTA collects taxes for northern hamlets and northern school divisions. Taxes levied on behalf of northern hamlets and northern school divisions are not considered revenue of NRSTA and are not reflected in the statement of revenues, expenditures and net assets. These taxes are remitted to the respective entities when received.

3. Financial Instruments

NRSTA's financial instruments include cash, short-term deposits, accounts receivable, inventory, and accounts payable. The fair value of these instruments approximate carrying value due to their immediate or short-term nature. The interest rates on the short term deposits range from 3.75% to 5.25%.

4. Accounts Receivable

	1998	1997
Due from General Revenue Fund (Note 10)	\$ 832,223	\$ 569,608
Accrued interest	368,828	219,699
Receivable from Federal Government (GST)	47,303	94,587
Crown lease fees	103,795	87,044
Taxes	26,048	28,829
Other	224,327	150,415
	<u>\$ 1,602,524</u>	<u>\$ 1,150,182</u>

5. Tangible Capital Assets

	Cost 1997	Additions	Disposals	Cost 1998
Land	\$ 39,420	\$ 14,265	\$ -	\$ 53,685
Buildings	3,712,922	32,459	2,000	3,743,381
Equipment	3,248,517	1,030,954	146,266	4,133,205
Water & sewer	1,884,041	77,838	-	1,961,879
	<u>\$ 8,884,900</u>	<u>\$ 1,155,516</u>	<u>\$ 148,266</u>	<u>\$ 9,892,150</u>

Reporting policies are currently being developed, and information gathered, for amortization of tangible capital assets; accordingly, accumulated amortization and net book value of tangible capital assets are not reported in these financial statements.

6. Commitments

As at December 31, 1998, NRSTA is committed to funding northern capital, water and sewer, and infrastructure projects. These commitments total \$8,420,525 (1997 - \$2,088,341).

7. Budget

The budget was approved by the Deputy Minister of Municipal Affairs, Culture and Housing.

8. Designated Assets

Included in the District are northern settlement and recreational subdivisions. Under the Act, revenues collected with respect to northern settlements and recreational subdivisions must be used for the benefit of the respective communities and are not available for general purposes. The Act specifies that revenues derived from the sale of Crown land within the boundaries of a northern settlement are to be expended on capital works in that northern settlement. The Act also specifies that the revenue derived from the sale of capital assets must be spent on capital works.

Following is a schedule of assets designated for a specific purpose as a result of legislation:

	1998			1997	
	Northern Settlements	Recreational Subdivisions	Capital Works	Total	Total
Revenues:					
Transfers					
Northern revenue sharing	\$ 637,156	\$ -	\$ -	\$ 637,156	\$ 789,851
Uranium City fuel supply	1,500,000	-	-	1,500,000	-
Northern capital	140,100	-	-	140,100	55,022
Infrastructure	90,084	-	-	90,084	141,642
Water and sewer	23,517	-	-	23,517	-
Other	44,801	-	-	44,801	96,257
Utilities and fuel sales	206,553	-	-	206,553	24,759
Crown lease fees	24,757	-	-	24,757	24,347
Taxation	26,775	62,467	-	89,242	91,559
Interest	60,489	16,773	-	77,262	84,070
Crown land sales	-	-	5,782	5,782	2,350
Other	31,491	128	-	31,619	92,596
	<u>2,785,723</u>	<u>79,368</u>	<u>5,782</u>	<u>2,870,873</u>	<u>1,402,453</u>
Expenditures:					
Capital asset expenditures	1,135,511	17,058	-	1,152,569	227,011
Municipal Services:					
General government	117,188	5,241	-	122,429	116,620
Transportation	179,205	29,859	-	209,064	185,961
Utility and fuel costs	270,337	-	-	270,337	85,548
Community projects	94,323	-	-	94,323	145,207
Recreation and cultural	92,719	5,844	-	98,563	133,023
Environmental	108,735	11,229	-	119,964	126,298
Protective services	3,969	821	-	4,790	9,100
Public health and welfare	2,841	-	-	2,841	13,762
Bad debt expense	29,432	4,930	-	34,362	(2,816)
	<u>2,034,260</u>	<u>74,982</u>	<u>-</u>	<u>2,109,242</u>	<u>1,039,714</u>
Surplus for the year	751,463	4,386	5,782	761,631	362,739
Net designated assets, beginning of year	970,813	309,788	175,841	1,456,442	1,988,033
Transfers	(3,184)	(1)	(22,683)	(25,868)	(894,330)
Net designated assets, end of year	<u>\$1,719,092</u>	<u>\$314,173</u>	<u>\$158,940</u>	<u>\$2,192,205</u>	<u>\$1,456,442</u>

9. Expenditures by Object

	1998		1997
	Budget	Actual	Actual
Grants	\$ 9,252,961	\$ 7,479,594	\$ 6,296,695
Operating costs	1,742,685	1,097,441	893,066
Capital asset expenditures	1,282,958	1,155,516	356,796
Salaries and benefits	281,700	225,215	281,487
Other	701,412	338,619	335,762
	<u>\$ 13,261,716</u>	<u>\$ 10,296,385</u>	<u>\$ 8,163,806</u>

10. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to NRSTA by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	1998	1997
Revenues	\$ 105,342	\$ 14,599
Expenditures	392,705	264,621
Accounts receivable	98,987	87,199
Accounts payable	319,224	31,136

In addition, NRSTA pays Saskatchewan Education and Health tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

NRSTA received the following transfers from related parties during the year:

	1998	1997
General Revenue Fund		
- Department of Municipal Affairs, Culture and Housing	\$ 6,976,084	\$ 4,476,613
- Department of Health	22,420	-
New Careers	9,451	83,374
Saskatchewan Lotteries	12,930	12,883
	<u>\$ 7,020,885</u>	<u>\$ 4,572,870</u>

NRSTA administers the Department of Municipal Affairs, Culture and Housing's Infrastructure Works Program for Northern Municipalities. Monies received and disbursed for towns, northern villages and northern hamlets are not considered revenues or expenditures of NRSTA. During the year, NRSTA received \$405,267 (1997 - \$928,876) from the General Revenue Fund and disbursed \$1,237,490 (1997 - \$1,498,484) on behalf of towns, northern villages and northern hamlets. The balance of \$832,223 (1997 - \$569,608) is shown as an accounts receivable from the General Revenue Fund.

The Department of Environment and Resource Management (DERM) is responsible for administering Crown land within the District. Therefore, Crown land is not reflected on the statement of financial position. However, in accordance with the Northern Crown Land Disposition Regulations and the Act, NRSTA is entitled to receive all proceeds from Crown land sales and leases within the District. During the year, DERM charged NRSTA \$430,000 (1997 - \$430,000) for administration of Crown lease fees and Crown land sales.

An annual administration charge of \$200,000 has been established by the Department of Municipal Affairs, Culture and Housing to offset its expenses for administering NRSTA. At December 31, 1998, \$150,000 (1997 - \$150,000) remains unpaid and has been recorded as an accounts payable on the statement of financial position.

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than that date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of taxpayers, funding organizations, suppliers, or other third parties, will be fully resolved.

12. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

AUDITOR'S REPORT

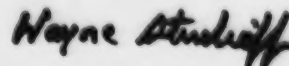
To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Oil and Gas Environmental Fund as at March 31, 1999 and the statement of revenue, expenditure and net assets for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
May 18, 1999



Wayne Strelloff, CA
Provincial Auditor

Statement 1

**OIL AND GAS ENVIRONMENTAL FUND
BALANCE SHEET
As at March 31**

	<u>1999</u>	<u>1998</u>
ASSETS		
Current:		
Due from General Revenue Fund (Note 4)	<u>\$ 2,295,194</u>	<u>\$ 2,265,268</u>
FUND BALANCE		
Net Assets (Statement 2) (Note 3)	<u>\$ 2,295,194</u>	<u>\$ 2,265,268</u>

(See accompanying notes to the financial statements)

OIL AND GAS ENVIRONMENTAL FUND
STATEMENT OF REVENUE, EXPENDITURE AND NET ASSETS
Year Ended March 31

	<u>Budget 1999</u>	<u>Actual 1999</u>	<u>1998</u>
Revenue:			
Interest (Note 4)	\$ 90,000	\$ 116,493	\$ 83,226
Expenditure:			
Well site restoration contracts	<u>182,000</u>	<u>86,567</u>	<u>—</u>
Excess of revenue over expenditure	<u>\$ (92,000)</u>	29,926	83,226
Net Assets beginning of year		<u>2,265,268</u>	<u>2,182,042</u>
Net Assets end of year - to Statement 1		<u>\$ 2,295,194</u>	<u>\$ 2,265,268</u>

(See accompanying notes to the financial statements)

**OIL AND GAS ENVIRONMENTAL FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Authority

The Oil and Gas Environmental Fund was established on May 17, 1989, pursuant to Section 18.2 of *The Oil and Gas Conservation Regulations, 1985* (Regulations). The purpose of the Fund is to provide a mechanism to respond adequately to environmental problems associated with the exploration, development, production, and transportation of oil and gas. The Fund originated through a one-time assessment of \$100 per well to a maximum of \$20,000 per company.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles.

3. Net Assets

The net assets represent assessments raised in accordance with subsection 18.3(2) of the Regulations less well site restoration costs. The net assets, together with any future recoveries of well site restoration costs, are available to provide for expenditures under section 18.4 of the Regulations which relate to the:

- a) restoration of abandoned well sites, as a result of disappearance or insolvency of the well owner or operator.
- b) containment or clean up of major environmental problems arising from oil and gas exploration, development, production or transportation operations.

4. Related Party Transactions

Included in these financial statements are transactions with departments related to the Fund by virtue of common control by the Government of Saskatchewan.

The Fund's money is on deposit with the General Revenue Fund (GRF). The GRF calculates and pays the Fund's interest on a quarterly basis using the Government's thirty-day borrowing rate and the Fund's average daily account balance.

The Fund has not been charged with any administrative costs and no provision for such costs is reflected in these statements. These costs are borne by the Department of Energy and Mines - General Revenue Fund.

5. Budget

The budget for the Fund is included with the Department of Energy and Mines budget submission to Treasury Board. Treasury Board approves the Fund's budget annually.

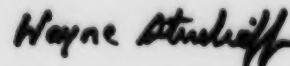
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Prairie Agricultural Machinery Institute as at March 31, 1999 and the statements of revenue, expenses and net assets, and cash flows for the year then ended. The Institute's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Prairie Agricultural Machinery Institute as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
May 7, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

**PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
BALANCE SHEET
As at March 31**

	<u>1999</u>	<u>1998</u>
ASSETS		
Current:		
Due from General Revenue Fund (Note 3)	\$ 471,011	\$ 659,565
Short-term investments	314,780	---
Accounts receivable	866,750	586,849
Prepaid expenses	<u>48,427</u>	<u>18,211</u>
	1,700,968	1,264,625
Restricted cash	34,635	34,635
Capital assets (Note 4)	<u>2,638,859</u>	<u>1,458,120</u>
	<u>\$ 4,374,462</u>	<u>\$ 2,757,380</u>
LIABILITIES AND NET ASSETS		
Current:		
Bank indebtedness	\$ 18,480	\$ 98,211
Accounts payable and accrued liabilities	385,475	475,248
Unearned revenue	<u>423,826</u>	<u>62,562</u>
	<u>827,781</u>	<u>636,021</u>
Deferred grants (Note 5)	1,370,907	---
Due to Government of Alberta (Note 6)	<u>85,201</u>	<u>118,336</u>
	<u>1,456,108</u>	<u>118,336</u>
	2,283,889	754,357
Net assets (Statement 2)	<u>2,090,573</u>	<u>2,003,023</u>
	<u>\$ 4,374,462</u>	<u>\$ 2,757,380</u>

(See accompanying notes to the financial statements)

Statement 2

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
STATEMENT OF REVENUE, EXPENSES AND NET ASSETS
Year Ended March 31

	<u>Budget</u> (Note 11)	<u>1999</u>	<u>1998</u>
Revenue			
Provincial transfers:			
Saskatchewan - General Revenue Fund			
- Department of Agriculture and Food	\$ 768,000	\$ 768,000	\$ 768,000
- Department of Economic and Co-operative Development	---	---	2,500
Manitoba - Consolidated Fund			
- Department of Agriculture	<u>332,500</u>	<u>332,500</u>	<u>332,500</u>
	1,100,500	1,100,500	1,103,000
Fee for service	2,784,512	3,046,600	2,905,207
Subscription income	20,000	29,364	25,092
Investment income	10,000	32,100	21,482
Other income	<u>7,000</u>	<u>18,032</u>	<u>12,420</u>
Total revenue	<u>3,922,012</u>	<u>4,226,596</u>	<u>4,067,201</u>
Expenses			
Salaries	1,820,611	1,988,085	1,851,977
Operating	1,901,401	2,013,669	1,835,893
Amortization	<u>125,000</u>	<u>137,292</u>	<u>122,435</u>
Total expenses (Schedule 1)	<u>3,847,012</u>	<u>4,139,046</u>	<u>3,810,305</u>
Excess of revenue over expenses	75,000	87,550	256,896
Net assets, beginning of year	<u>2,003,023</u>	<u>2,003,023</u>	<u>1,746,127</u>
Net assets, end of year (Statement 1)	<u>\$ 2,078,023</u>	<u>\$ 2,090,573</u>	<u>\$ 2,003,023</u>

(See accompanying notes to the financial statements)

Statement 3

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
STATEMENT OF CASH FLOWS
Year Ended March 31

	1999	1998
Operating activities:		
Excess of revenue over expenses	\$ 87,550	\$ 256,896
Changes in non-cash working capital items:		
(Increase) decrease in accounts receivable	(133,656)	2,449
(Increase) decrease in prepaid expenses	(30,216)	502
(Decrease) increase in accounts payable and accrued liabilities	(89,773)	206,857
Increase (decrease) in unearned revenue	<u>361,264</u>	<u>(58,160)</u>
	<u>107,619</u>	<u>151,648</u>
Items not involving cash:		
Amortization of deferred grants	(6,864)	---
Amortization expense	137,292	122,435
Bad debt expense	15	52,041
Loss on disposal of capital assets	<u>4,223</u>	<u>33,551</u>
	<u>134,666</u>	<u>208,027</u>
(Decrease) in due to Government of Alberta	<u>(33,135)</u>	<u>(16,427)</u>
Cash flows from operating activities	<u>296,700</u>	<u>600,144</u>
Investing activities:		
Proceeds on sale of capital assets	1,544	10,757
Purchase of capital assets	<u>(1,323,813)</u>	<u>(132,314)</u>
Cash flows used in investing activities	<u>(1,322,269)</u>	<u>(121,557)</u>
Financing activities:		
Contributions for capital assets (Note 5)	<u>1,231,526</u>	---
Cash flows from financing activities	<u>1,231,526</u>	---
Net increase in cash and cash equivalents	205,957	478,587
Cash position, beginning of year	<u>595,989</u>	<u>117,402</u>
Cash position, end of year	<u>\$ 801,946</u>	<u>\$ 595,989</u>
Cash position consists of:		
Due from General Revenue Fund	\$ 471,011	\$ 659,565
Short-term investments	314,780	---
Restricted cash	34,635	34,635
Bank indebtedness	<u>(18,480)</u>	<u>(98,211)</u>
	<u>\$ 801,946</u>	<u>\$ 595,989</u>

(See accompanying notes to the financial statements)

**PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant accounting policies of the Prairie Agricultural Machinery Institute (Institute) are as follows:

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Short-term Investments

Short-term investments are recorded at cost which approximates their fair market value.

c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded using the declining balance method of amortizing capital assets over their expected useful life. The following rates have been used in applying this policy:

Building	5%
Equipment	10%
Furniture	10%
Vehicles	10%
Computer Hardware	30%

d) Unearned Revenue

Unearned revenue consists of subscription and fee for service revenue that will be earned in future periods. These amounts are included in income when revenue is earned.

e) Deferred Grants

Contributions that are restricted for a specified use are initially deferred and are recorded as revenue when the related expenses are incurred. Contributions for capital assets are deferred until the assets are put in use and amortized. The

amount of revenue that is recognized is equal to the amount of amortization charged for the capital assets.

f) **Fee for Service Revenue**

Fee for service revenue on contracts is recognized using the percentage of completion method.

g) **Funding**

The Institute's operations are funded by Saskatchewan and Manitoba according to an agreement between the two provinces.

The Institute, in accordance with the authority included in Order in Council 1800/79, follows the policy of retaining any excess of revenue over expenses.

On wind-up, any net assets will be divided among the two provinces in proportion to their share in the Institute's assets equivalent to the percentage of funding provided by each province.

2. Incorporation

The Institute was established as a body corporate under *The Prairie Agricultural Machinery Institute Act*. The affairs and business of the Institute are managed by the Prairie Agricultural Machinery Institute Council (Council).

The purposes of the Institute are:

- a) to test and appraise under actual or simulated working conditions, machinery sold or offered or intended for sale;
- b) to undertake development work to improve and develop machinery for agricultural use;
- c) to publish such reports, pamphlets and bulletins as are consistent with the intent of the Act; and
- d) to perform such additional functions as may be determined by Council to be consistent with the objectives of the Institute.

3. Due from General Revenue Fund

One of the Institute's bank accounts is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

The Institute's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty-day borrowing rate (1999 average rate - 5.04%; 1998 average rate - 3.77%) and the Institute's average daily bank account balance.

4. Capital Assets

	1999		1998	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 3,118,899	\$ 1,487,928	\$ 1,630,971	\$ 572,411
Equipment	1,440,085	871,789	568,296	442,656
Land & improvements	225,962	---	225,962	225,962
Furniture	191,566	161,057	30,509	26,299
Vehicles	171,986	142,017	29,969	35,219
Computer equipment	245,301	157,513	87,788	90,209
Building under construction	65,364	---	65,364	65,364
Total	<u>\$ 5,459,163</u>	<u>\$ 2,820,304</u>	<u>\$ 2,638,859</u>	<u>\$ 1,458,120</u>

5. Deferred Grants

During the year, the Institute received contributions of \$1,006,525 (1998 - \$0) from the Agri-Food Innovation Fund (AFIF) and \$225,000 (1998 - \$0) from the Department of Economic and Co-operative Development, related parties. An additional amount of \$146,245 (1998 - \$0) is receivable from AFIF at year-end. These amounts are to build and equip the Humboldt Crops Processing Centre. The Institute recorded \$6,864 (1998 - \$0) as revenue equal to the amount of amortization recorded for the Centre.

6. Due to Government of Alberta

Effective March 31, 1988, Alberta terminated its participation in the original agreement dated October 1974. This agreement established the Institute as a collaboration of the provinces of Saskatchewan, Alberta and Manitoba. As part of the termination, the Institute agreed to transfer to Alberta 35% of the Institute's net assets

as at March 31, 1988. The amount owing to Alberta is \$85,201 (1998 - \$118,336). The Institute is discharging this liability by performing services for Alberta.

7. Commitments

The Institute has agreed to provide monetary and in-kind contributions for several research and development contracts entered into in 1998/99. The commitments at March 31, 1999 amount to \$10,957 (1998 - \$22,000).

8. Financial Instruments

a) Significant terms and conditions

Significant terms and conditions related to financial instruments may affect the amount, timing and certainty of future cash flows. When such significant terms and conditions exist, they are described separately in the financial statements and the notes thereto.

b) Fair value

For certain of the Institute's financial instruments including:

- i) due from General Revenue Fund
- ii) short-term investments
- iii) restricted cash
- iv) accounts receivable
- v) bank indebtedness
- vi) accounts payable and accrued liabilities

the carrying amounts approximate fair value due to the immediate or short-term maturity of these financial instruments.

c) Credit risk

The Institute is exposed to credit risk from the potential non-payment of accounts receivable. The Institute has entered into contracts with both the federal and provincial governments. The Institute has also entered into contracts with private organizations and individuals. The credit risk on these accounts receivable is minimal. All accounts considered uncollectible are included in an allowance for doubtful accounts.

d) Interest rate risk

The Institute is exposed to interest rate risk when the value of its financial instruments fluctuates due to changes in market interest rates. The Institute's receivables from governments are non-interest bearing. Receivables from private organizations and individuals bear interest at two percent. The Institute's payables are non-interest bearing.

e) Currency risk

The Institute is exposed to currency risk when the value of its financial instruments held in U.S. currency fluctuates. This occurs due to changes in the value of the U.S. dollar relative to the Canadian dollar. At March 31, 1999, the Institute had no accounts receivable (1998 - \$77,217) in U.S. dollars.

9. Related Party Transactions

These financial statements include transactions with related parties. The Institute is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Institute is related to non-Crown enterprises that the Government jointly controls or significantly influences.

a) Operating Activities

Routine operating transactions with related parties are recorded at the standard rates charged by these organizations and are settled on normal trade terms. Those transactions and amounts outstanding at year-end are as follows:

	<u>1999</u>	<u>1998</u>
Fee for service revenue	\$ 293,755	\$ 221,805
Operating expenses	371,162	208,963
Accounts receivable	152,358	98,055
Accounts payable and accrued liabilities	8,696	22,255

In addition, the Corporation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

b) **Management Agreement**

In 1991, the Institute agreed to provide management, marketing, financial and consulting services to Western Canada Testing Inc. (WCTI), to negotiate contracts on behalf of WCTI, to bill and collect fees from WCTI clients, and to provide labour for the operation of the WCTI laboratory. In return for these services, WCTI pays the Institute a quarterly fee based on amounts it receives from clients for services rendered. During the year, the Institute earned \$1,062,547 (1998 - \$447,824) from this arrangement and as at March 31, 1999, \$268,274 (1998 - \$183,445) is included in accounts receivable.

10. **Year 2000**

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

11. **Budget**

The budget for 1998/99 was approved by the Council on March 31, 1999.

12. **Comparative Figures**

Certain comparative figures have been restated to conform with the current year's presentation.

Schedule 1

**PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
SCHEDULE OF EXPENSES
YEAR ENDED MARCH 31**

	<u>1999</u>	<u>1998</u>
Salaries	\$ 1,988,085	\$ 1,851,977
Travel and vehicle operations	478,586	368,553
Shop supplies	320,402	276,144
Contractual services	317,844	221,888
Employee benefits	279,296	230,601
Amortization expense	137,292	122,435
Insurance, licences and taxes	130,024	106,344
Repairs and maintenance - building and equipment	127,476	152,126
Stationery and office supplies	79,512	81,935
Utilities	75,613	65,742
Telephone	66,928	56,361
Computer services	41,259	60,054
Advertising and promotion	24,067	25,017
Professional and technical services	22,280	57,472
Reference material	14,545	10,975
Printing and binding	14,048	13,326
Rent - building and equipment	11,675	20,159
Interest expense	4,996	2,434
Other expense	4,223	33,551
Honoraria	880	1,170
Bad debt expense	<u>15</u>	<u>52,041</u>
	<u>\$ 4,139,046</u>	<u>\$ 3,810,305</u>

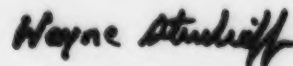
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Public Employees' Dental Fund as at December 31, 1998 and the statements of operations and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
February 11, 1999

Wayne Strelieff, CA
Provincial Auditor

**PUBLIC EMPLOYEES DENTAL FUND
STATEMENT OF FINANCIAL POSITION****STATEMENT 1****AS AT DECEMBER 31**

	1998	1997
ASSETS		
Due from General Revenue Fund (Note 3)	\$4,100,392	\$1,280,908
Accounts receivable (Note 7)	<u>520,109</u>	<u>506,490</u>
Total Assets	<u>\$4,620,501</u>	<u>\$1,787,398</u>
 LIABILITIES AND NET ASSETS (DEFICIT)		
Liabilities:		
Accounts payable (Note 7)	\$ 112,029	\$ 97,180
Unpaid claims (Note 8)	<u>976,754</u>	<u>1,456,325</u>
	<u>1,088,783</u>	<u>1,553,505</u>
NET ASSETS (STATEMENT 2)	<u>3,531,718</u>	<u>233,893</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$4,620,501</u>	<u>\$1,787,398</u>

(See accompanying notes to the financial statements.)

**PUBLIC EMPLOYEES DENTAL FUND
STATEMENT OF OPERATIONS**

STATEMENT 2

YEAR ENDED DECEMBER 31

	1998		1997
	Budget (Note 9)	Actual	Actual
REVENUE			
Premiums	\$11,340,000	\$11,780,348	\$8,349,686
Interest (Note 3)	<u>80,000</u>	<u>127,652</u>	<u>26,655</u>
	<u>11,420,000</u>	<u>11,908,000</u>	<u>8,376,341</u>
EXPENSES			
Claims incurred	8,240,000	8,132,417	7,562,468
Adjudication fees	318,120	314,888	291,598
Revolving Fund administration (Note 4)	<u>218,837</u>	<u>162,870</u>	<u>133,701</u>
	<u>8,776,957</u>	<u>8,610,175</u>	<u>7,987,767</u>
Surplus for the year	2,643,043	3,297,825	388,574
NET ASSETS (DEFICIT), BEGINNING OF YEAR	<u>233,893</u>	<u>233,893</u>	<u>(154,681)</u>
NET ASSETS, END OF YEAR (STATEMENT 1)	<u>\$ 2,876,936</u>	<u>\$3,531,718</u>	<u>\$ 233,893</u>

(See accompanying notes to the financial statements.)

**PUBLIC EMPLOYEES DENTAL FUND
STATEMENT OF CASH FLOWS**
STATEMENT 3
YEAR ENDED DECEMBER 31

	1998	1997
Cash flows from operating activities:		
Surplus for the year	\$3,297,825	\$ 388,574
Change in non-cash working capital:		
(Increase) in accounts receivable	(13,619)	(225,415)
Increase in accounts payable	14,849	53,288
(Decrease) increase in unpaid claims	<u>(479,571)</u>	<u>863,930</u>
Cash flows from operating activities	<u>2,819,484</u>	<u>1,080,377</u>
DUE FROM GENERAL REVENUE FUND, BEGINNING OF YEAR (Note 2(c))	<u>1,280,908</u>	<u>200,531</u>
DUE FROM GENERAL REVENUE FUND, END OF YEAR (Note 2(c)) (Statement 1)	<u>\$4,100,392</u>	<u>\$1,280,908</u>

(See accompanying notes to the financial statements.)

PUBLIC EMPLOYEES DENTAL FUND NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

1. Description of the Fund

The Public Employees Dental Fund is used to account for the transactions of the Public Employees Dental Plan. This plan, which came into effect February 1, 1982, was established under the provisions of subsection 31(2) of *The Revenue and Financial Services Act* and is continued under subsection 64(2) of *The Financial Administration Act, 1993*. The Plan is designed to promote good dental health among plan members by reducing the members' costs for preventive, routine and major dental services. Premiums for the funding of this Plan are paid entirely by the employers who are members of the Plan. Employers consist of the Public Service of Saskatchewan and other Saskatchewan crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council.

Claims are adjudicated and processed for payment by Metropolitan Life Insurance Company of Canada.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant.

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Unpaid Claims

The provision for unpaid claims represents a provision for the cost of claims reported but not paid prior to year end and an estimate of claims incurred but not reported based upon the claims settlement experience.

The estimate of administrative expenses to be incurred on claims settlement is included in the provision for unpaid claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes.

c) Cash and Cash Equivalents

Cash consists of due from General Revenue Fund.

3. Due From General Revenue Fund

The Public Employees Dental Fund Bank account is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan.

The Dental Fund's interest income is calculated and paid by the General Revenue Fund on a quarterly basis into the Dental Fund's bank account using the Government's thirty day borrowing rate, and the fund's average daily bank account balance. The Government's average thirty day borrowing rate in 1998 was 4.96%.

4. Administrative Costs

Public Employees Benefits Agency Revolving Fund

Pursuant to section 65 of *The Financial Administration Act, 1993* the Public Employees Benefits Agency Revolving Fund (Revolving Fund) is to account for all expenditures paid for the administration of the Public Employees Benefits Agency (PEBA). These costs are charged by the Revolving Fund to the various pension funds and benefit programs administered by PEBA.

According to subsection 64(7) of *The Financial Administration Act, 1993*, sums required for the purpose of administering the Public Employees Dental Fund shall be a charge on and paid out of that fund.

5. Surplus Fund

The employers of SGEU and CUPE 600 employees have agreed to contribute to a Benefit Surplus Fund (Surplus Fund) monthly beginning October 1, 1997, .30% of straight time annual payroll. The Surplus Fund is included in the Extended Health Care Plan financial statements. The purpose of the Surplus Fund is to offset cost increases related to the Extended Health Care Plan and Dental Plan enhancements.

The transfer of monies from the Surplus Fund to the Dental Fund is subject to a review and assessment of cost experience by a Joint Board of Trustees.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan, collectively referred to as "related parties".

Due to the nature of the Fund, all premiums have been received from related parties.

At year-end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	1998	1997
Accounts receivable	\$520,109	\$506,490
Accounts payable (Revolving Fund)	\$23,387	\$22,637
Revolving fund administration expenses	\$162,870	\$133,701

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

7. Accounts Receivables/Accounts Payables/Due from General Revenue Fund

These financial instruments are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the fair value of these instruments approximate carrying value. The Fund is exposed to minimal credit risk from the potential non-payment of accounts receivable.

8. Provision for Unpaid Claims

There are a number of factors used to estimate the provision, such as the Fund's experience with claims, and historical trends involving claim payments. Dental claims are short-tail claims and tend to be reasonably predictable. The determination of the fair value for the claims is not practical.

As a result, the establishment of the provision for unpaid claims relies on a number of factors which necessarily involves risks that the actual results may differ materially from the estimates in the near term.

9. Budget

The Fund submitted the budget to Treasury Board.

10. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Public Employees Disability Income Fund as at December 31, 1998 and the statements of operations and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
March 16, 1999

Wayne Strelhoff
Wayne Strelhoff, CA
Provincial Auditor

**PUBLIC EMPLOYEES DISABILITY INCOME FUND
STATEMENT OF FINANCIAL POSITION**

STATEMENT 1

AS AT DECEMBER 31

	1998	1997
ASSETS		
Current Assets:		
Cash	\$ 884	\$ 2,309
Accounts receivable	534,309	625,317
Due from Co-operators Life Insurance Company (Note 2(c))	45,088,165	42,938,387
Receivable from Co-operators Life Insurance Company	<u>289,217</u>	<u>336,387</u>
Total assets	<u>\$45,912,575</u>	<u>\$ 43,902,400</u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ <u>127,202</u>	\$ <u>80,122</u>
Provision for claims payable (Notes 2(d) and 3)	30,240,000	28,901,000
NET ASSETS (Statement 2)	<u>15,545,373</u>	<u>14,921,278</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$45,912,575</u>	<u>\$ 43,902,400</u>

(See accompanying notes to the financial statements.)

**PUBLIC EMPLOYEES DISABILITY INCOME FUND
STATEMENT OF OPERATIONS**
STATEMENT 2
YEAR ENDED DECEMBER 31

	1998		1997
	Budget (Note 9)	Actual	Actual
REVENUE			
Premiums	\$ 5,254,000	\$ 5,378,370	\$ 5,151,437
Investment income (Note 2(c))	<u>3,500,000</u>	<u>2,267,953</u>	<u>6,906,515</u>
	<u>8,754,000</u>	<u>7,646,323</u>	<u>12,057,952</u>
EXPENSE			
Change in provision for claims payable (Notes 2(d) and 3)	-	1,339,000	(2,442,700)
Disability benefits	4,720,000	4,828,997	4,638,463
Administration fees	168,000	172,432	276,973
Revolving Fund Administration (Note 4(a))	570,126	576,585	235,824
Management fees (Note 4(b))	<u>105,000</u>	<u>105,214</u>	<u>94,904</u>
	<u>5,563,126</u>	<u>7,022,228</u>	<u>2,803,464</u>
Surplus for the year	3,190,874	624,095	9,254,488
NET ASSETS, BEGINNING OF YEAR	<u>14,921,278</u>	<u>14,921,278</u>	<u>5,666,790</u>
NET ASSETS, END OF YEAR - Statement 1	<u>\$18,112,152</u>	<u>\$15,545,373</u>	<u>\$14,921,278</u>

(See accompanying notes to the financial statements.)

**PUBLIC EMPLOYEES DISABILITY INCOME FUND
STATEMENT OF CASH FLOWS**

STATEMENT 3

YEAR ENDED DECEMBER 31

	1998	1997
Cash flows from operating activities:		
Surplus for the year	\$ 624,095	\$ 9,254,488
Adjustments for:		
Investment income	(2,267,953)	(6,906,515)
Change in non-cash working capital:		
Decrease (increase) in accounts receivable	91,008	(157,473)
Increase in accounts payable	47,080	7,715
Decrease (increase) in receivable from Co-operators Life Insurance Company	<u>47,170</u>	<u>(163,220)</u>
	(1,458,600)	2,034,995
Increase (decrease) in accumulated provision for claims payable	<u>1,339,000</u>	<u>(2,442,700)</u>
Cash flows from operating activities:	<u>(119,600)</u>	<u>(407,705)</u>
Cash flows from investing activities:		
Sale of segregated fund units	<u>118,175</u>	<u>407,240</u>
Net (decrease) in cash	(1,425)	(465)
CASH, BEGINNING OF YEAR (Note 2(e))	<u>2,309</u>	<u>2,774</u>
CASH, END OF YEAR (Note 2(e))	\$ <u>884</u>	\$ <u>2,309</u>

(See accompanying notes to the financial statements.)

PUBLIC EMPLOYEES DISABILITY INCOME FUND NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

1. Description of Fund

The Public Employees Disability Income Fund (PEDIF) is a special purpose fund used to account for the premiums, claims, investment and certain administrative transactions of the Disability Income Plan established under subsection 31(2) of *The Revenue and Financial Services Act* and continued under subsection 64(2) of *The Financial Administration Act, 1993*.

This Plan is managed by the Public Employees Benefits Agency (PEBA) and provides a level of income protection during periods of occupational or total disability. Plan participants are employees of certain members of the public service of the Province of Saskatchewan and other Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The Plan is administered under the terms of an agreement with The Co-operators Life Insurance Company.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant.

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Benefit Expense

Benefit expense is recognized commencing in the year the claim is approved.

c) Due from Co-operators Life Insurance Company (Co-operators)

According to the agreement between PEBA and Co-operators, Co-operators has established a segregated fund for the investment of PEDIF monies. The balance in this segregated fund is a debt due by Co-operators to PEDIF and is represented by the investments held in the segregated fund.

The segregated fund is valued at market and any increase/decrease in the value of the segregated fund is accounted for in the statement of operations as investment income.

Fair value of the segregated fund approximates its market value.

d) Provision for Claims Payable

The provision for claims payable represents the present value of future payments arising from claims made prior to year end. This provision includes an amount for claims incurred but not reported. The present value is determined pursuant to an actuarial valuation. Any resulting change in this liability is recognized as a revenue or expense item in that year's operations.

e) Cash and Cash Equivalents

Cash consists of balances with the bank.

3. Actuarial Valuation

In 1999, an actuarial valuation was performed by William M. Mercer Limited to value the liability for future cost of claim payments to members disabled at the valuation date of December 31, 1998, which includes a provision for claims incurred but not reported. The actuarial valuation established this liability to be \$30,240,000 at the valuation date (1997-\$28,901,000). The valuation is based on the following assumptions: 1) the allowance for claim termination is based on the 1987 Group Long-Term Disabilities valuation tables published by the Society of Actuaries adjusted for experience; 2) the interest rate assumed is 7.0%; 3) a 3% consumer price indexing of benefits before offset each year; 4) the inflation rate assumed is 4%.

The amount of benefits payable under the Disability Income Plan may be increased on October 1 each year. The increase will be the same percentage, subject to a maximum of 3% per annum, as the percentage increase in the Consumer Price Index for the year ending on the immediately preceding July 1.

If the valuation assumed no cost of living allowance indexing of benefits each year, the liability at December 31, 1998 would be \$25,320,000 (1997 - \$24,230,000).

The liability for future claims is based on a number of assumptions about future events including: recovery and mortality rates, interest rate and expected benefits from other sources. The actual experience may vary significantly from the assumptions used.

The following illustrates the effect of changes in the interest rate, cost of living adjustment and recovery rates.

- a 1% change in interest rate equals a 4.4% change in the liability including the cost of living adjustment
- a change in the cost of living adjustment of 1% equals a 7.2% change in the liability
- a 10% change in recovery rates equals a 3.3% change in the liability

The liability is long term in nature. The Fund has no intention of settling its obligation in the near term. Therefore it is not practical for the Fund to determine the fair value of its obligation.

4. Administration Expenses

a) Public Employees Benefits Agency Revolving Fund

The costs of administering the Public Employees Disability Income Fund are a charge on and paid out of that Fund. These expenditures are paid to the Public Employees Benefits Agency Revolving Fund.

b) Investment Management Services

The Minister of Finance is authorized to invest any part of the monies standing to the credit of the Disability Income Fund in any securities authorized for investment pursuant to the "Investment Policy Guidelines".

The Co-operators Investment Counselling Limited invests the monies of the Fund under a contract to provide services. The Fund pays management fees to the Co-operators Investment Counselling Limited.

5. Legal

The Government of Saskatchewan is a party to a number of lawsuits relating to disability benefits for amounts totalling \$772,999. The ultimate outcome of these lawsuits is not yet determinable. Benefit payments arising from the resolution of these lawsuits will be accounted for as an expenditure of the year in which the settlement occurs.

6. Investment Performance

The Fund's investments are represented by the amounts due from Co-operators Life Insurance Company (see note 2). Following is a summary of the Fund's investment performance:

	1998	Four year annualized return
Fund (a)	5.3%	14.6%
Benchmark (b)	10.9%	15.0%

(a) The annual returns are before deducting investment expenses.

(b) The benchmark return is the Fund's target rate of return for its segregated fund. The benchmark return is calculated using actual returns and the Fund's planned investment portfolio for its segregated fund.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan collectively referred to as "related parties".

Due to the nature of the Fund, substantially all premiums are received from related parties.

At year-end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	1998	1997
Accounts receivable	\$454,450	\$411,921
Accounts payable	75,589	66,601

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

8. Accounts Receivables/Accounts Payables/Receivable from Co-operators Life Insurance Company

These financial instruments are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the fair value of these financial instruments approximates carrying value. The Fund is exposed to minimal credit risk from the potential non-payment of accounts receivables.

9. Budget

The Fund submitted the budget to Treasury Board.

10. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

11. Comparative Figures

Certain 1997 comparative figures have been reclassified to conform with current presentation.

AUDITOR'S REPORT

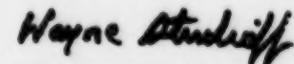
To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Public Employees Group Life Insurance Fund as at December 31, 1998 and the statements of operations and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1998 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
March 16, 1999



Wayne Strelieff, CA
Provincial Auditor

**PUBLIC EMPLOYEES GROUP LIFE INSURANCE FUND
STATEMENT OF FINANCIAL POSITION**

STATEMENT 1

AS AT DECEMBER 31

	1998	1997
ASSETS		
Current Assets:		
Cash	\$ 3,321	\$ 7,686
Accounts receivable (Note 8)	689,724	604,380
Due from Co-operators Life Insurance Company (Note 2(b))	35,643,899	32,832,065
Receivable from Co-operators Life Insurance Company	<u>313,644</u>	<u>275,707</u>
Total Assets	<u>\$36,650,588</u>	<u>\$33,719,838</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable (Note 8)	\$ 242,047	\$ 245,713
Claims payable (Note 8)	<u>1,195,130</u>	<u>1,452,987</u>
	1,437,177	1,698,700
Payable to SaskPower (Note 4)	262,436	-
Provision for life insurance benefits (Notes 2(c) and 3)	16,103,000	15,466,000
NET ASSETS (Statement 2)	<u>18,847,975</u>	<u>16,555,138</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$36,650,588</u>	<u>\$33,719,838</u>

(See accompanying notes to the financial statements.)

**PUBLIC EMPLOYEES GROUP LIFE INSURANCE FUND
STATEMENT OF OPERATIONS**
STATEMENT 2
YEAR ENDED DECEMBER 31

	1998		1997
	Budget (Note 9)	Actual	Actual
REVENUE			
Premiums	\$ 8,210,000	\$ 8,240,145	\$ 8,209,440
Investment income	<u>3,000,000</u>	<u>1,807,525</u>	<u>5,177,509</u>
	<u>11,210,000</u>	<u>10,047,670</u>	<u>13,386,949</u>
EXPENSE			
Claims	8,000,000	6,599,255	7,535,475
Change in provision for life insurance benefits (Note 2(c))	-	637,000	(7,291,900)
Revolving Fund administration (Note 5(a))	206,051	149,684	130,113
Premium taxes - General Revenue Fund	164,200	143,307	135,628
Adjudication fees (Note 1)	165,000	143,971	139,772
Management fees (Note 5(b))	<u>75,000</u>	<u>81,616</u>	<u>71,339</u>
	<u>8,610,251</u>	<u>7,754,833</u>	<u>720,427</u>
Surplus for the year	2,599,749	2,292,837	12,666,522
Net assets, beginning of year	<u>16,555,138</u>	<u>16,555,138</u>	<u>3,888,616</u>
 NET ASSETS, END OF YEAR - Statement 1	 <u>\$19,154,887</u>	 <u>\$18,847,975</u>	 <u>\$16,555,138</u>

(See accompanying notes to the financial statements.)

**PUBLIC EMPLOYEES GROUP LIFE INSURANCE FUND
STATEMENT OF CASH FLOWS**

STATEMENT 3

YEAR ENDED DECEMBER 31

	1998	1997
Cash flows from operating activities:		
Surplus for the year	\$2,292,837	\$12,666,522
Adjustments for:		
Investment income	(1,807,525)	(5,177,509)
Change in non-cash working capital:		
(Increase) decrease in accounts receivable	(85,344)	121,735
(Increase) decrease in receivable from Co-operators Life Insurance Company	(37,937)	485,065
(Decrease) in accounts payable	(3,666)	(42,984)
(Decrease) Increase in claims payable	(257,857)	519,576
Increase in payable to SaskPower	<u>262,436</u>	<u>-</u>
	362,944	8,572,405
Increase (decrease) in provision for life insurance benefits	<u>637,000</u>	<u>(7,291,900)</u>
Cash flows from operating activities:	<u>999,944</u>	<u>1,280,505</u>
Cash flows from investing activities:		
Purchase of segregated fund units	<u>(1,004,309)</u>	<u>(1,206,752)</u>
Net (decrease) increase in cash	(4,365)	73,753
CASH, BEGINNING OF YEAR (Note 2(e))	<u>7,686</u>	<u>(66,067)</u>
CASH, END OF YEAR (Note 2(e))	<u>\$ 3,321</u>	<u>\$ 7,686</u>

(See accompanying notes to the financial statements.)

PUBLIC EMPLOYEES GROUP LIFE INSURANCE FUND NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1998

1. Description of Fund

The Public Employees Group Life Insurance Fund (PEGIF) is a special purpose fund used to account for the premiums, claims, investment and certain administrative transactions of the Group Life Insurance Plan under subsection 64(2) of *The Financial Administration Act, 1993*.

This Plan is managed by the Public Employees Benefits Agency (PEBA) and provides comprehensive life insurance coverage to certain members of the public service of the Province of Saskatchewan and other Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council. The Plan is administered under the terms of an agreement with The Co-operators Life Insurance Company.

Claims are adjudicated and processed for payment by the Co-operators Life Insurance Company.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant:

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Due from Co-operators Life Insurance Company (Co-operators)

According to the agreement between PEBA and Co-operators, Co-operators has established a segregated fund for the investment of PEGIF's monies. The PEGIF's units in the fund represent a debt due by Co-operators. This debt is represented by the segregated fund.

The segregated fund is valued at market and any increase/decrease in the value of the segregated fund is accounted for in the statement of operations. Fair value of the segregated fund approximates its market value.

c) Provision for Life Insurance Benefits

The provision for life insurance benefits represents the present value of future payments arising from benefits for disabled employees whose premiums have been waived. The provision includes the present value of the retirement death benefit certificates for those having retired prior to year-end. The present value is determined pursuant to an actuarial valuation. Any resulting change in the liability pursuant to the valuation is recognized as a revenue or expense item in that year's operations.

d) Claims Expense

Claims expense includes future payments arising from claims made prior to the year-end.

e) Cash and Cash Equivalents

Cash consists of balances with the bank.

3. Actuarial Valuation

In 1999, an actuarial valuation was performed by William M. Mercer Limited as at December 31, 1998 to value the liability of making future benefit payments to disabled members whose premiums have been waived prior to year end and the retirement death benefit certificates for those members having retired prior to year end. The valuation determined the liability was \$16,103,000 at December 31, 1998 (1997 - \$15,466,000). Of the \$16,103,000 liability, \$5,384,000 is for retirement death benefit certificates and the remainder is for waived premiums.

The valuation is based on the following assumptions: 1) the life waiver valuation is based on the 1970 Group Life Waiver Valuation Table for recovery and 150% of the 1993 Canada Pension Disabled Life Mortality Experience Table for death rates; 2) the interest rate assumed is 7.0%; 3) the mortality rates of existing retirees are based on the Canadian Life 1990-92 tables; 4) a maximum 3% consumer price indexing of future benefit payments to disabled members whose life insurance premiums have been waived; 5) the inflation rate of 4% is assumed. The actual increase will be the same percentage, subject to a maximum of 3% per annum, as the percentage increase in the Consumer Price Index.

If the valuation assumed no cost of living allowance indexing of disability benefits each year the liability at December 31, 1998, would be \$14,991,000 (1997 - \$14,282,000).

The liability for future benefits to disabled members whose premiums have been waived prior to year end and the retirement death benefit certificates for those members having retired prior to year end are based on a number of assumptions about future events including: recovery and mortality rates and interest rates. The actual experience may vary significantly from the assumptions used.

The following illustrates the effect of changes in the interest rate and mortality on retirement death benefit certificates:

- a 1% change in the interest rate equals a 13.9% change in the liability including the cost of living adjustment
- a 10% change of the Group Life Insurance mortality equals a 4.4% change in the liability

The following illustrates the effect of changes in the interest rate, cost of living adjustment and mortality on group life waivers:

- a 1% change in the interest rate equals a 6.5% change in the liability including the cost of living adjustment
- a change in the cost of living adjustment of 1% equals a 3.9% change in the liability
- a change of waiver mortality by 10% equals a 7.7% change in the liability

The liability is long term in nature. Management has no intention of settling its obligation in the near term. Therefore it is not practical to determine the fair value of this liability.

4. Retirement Death Benefit Certificate

Effective January 1, 1991, PEGIF began issuing a \$3,000 paid up life insurance policy (Retirement Death Benefit Certificate) to retired employees of this plan. The value was increased to \$5,000 effective April 1, 1993 for those individuals retiring on or after this date. Sask Power, Sask Energy, SGI, Sask Property Management Corp. and the public service in conjunction with CUPE 600 provide a \$10,000 paid up life insurance policy to their employees. Additional premiums are

submitted for this enhanced benefit. The paid up certificate remains in force and has no cash value until the employee's death, at which time the face value is payable to the designated beneficiary. The liability for the paid up policies is included in the provision for life insurance benefits liability shown in the statement of financial position, with the exception of the enhanced portion of the paid up policy of SaskPower. PEGIF has an agreement with SaskPower transferring the liability to the corporation effective 1998.

PEGIF continues to collect premiums and pay claims on the corporations behalf. Accordingly, a trust fund payable to SaskPower exists as the current activity to date has premiums exceeding claims.

5. Administration Expenses

a) Public Employees Benefits Agency Revolving Fund

The costs of administering the Public Employees Group Life Insurance Fund are a charge on and paid out of that Fund. These expenditures are paid to the Public Employees Benefits Agency Revolving Fund.

b) Investment Management Services

The Minister of Finance is authorized to invest money of the Group Life Insurance Fund in any securities authorized for investment under the "Investment Policy Guidelines".

The Co-operators Investment Counselling Limited invests the monies of the Fund under a contract to provide services. The Fund pays management fees to the Co-operators Investment Counselling Limited.

6. Investment Performance

The following is a summary of the Fund's investment performance:

	1998	Four year annualized return
Fund (a)	5.4%	14.6%
Benchmark (b)	10.6%	14.5%

(a) The annual returns are before deducting investment expenses.

(b) The benchmark return is the Fund's target rate of return for its segregated fund. The benchmark return is calculated using actual returns and the Fund's planned investment portfolio for its segregated fund.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan collectively referred to as "related parties".

Due to the nature of the Fund, substantially all premiums have been received from related parties.

At year-end, the accounts receivable and accounts payable were due to/due from related parties.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

8. Accounts Receivable/Accounts and Claims Payable/Receivable from Co-operators Life Insurance Company

These financial instruments are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the fair value of these financial instruments approximates carrying value. The Fund is exposed to minimal credit risk from the potential non-payment of accounts receivable.

9. Budget

The Fund submitted the budget to Treasury Board.

10. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

11. Comparative Figures

Certain 1997 comparative figures have been reclassified to conform with current presentation.

**Deloitte &
Touche**

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the balance sheet of the Sask911 Account as at March 31, 1999, and the statement of operations and net assets for the year then ended. These financial statements are the responsibility of SaskTel management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Sask911 Account as at March 31, 1999, and the results of its operations and net assets for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

Regina, Saskatchewan
March 10, 2000

**Deloitte Touche
Tehmatsu**

Sask911 Account**Balance Sheet****March 31, 1999**

	1999	1998 (unaudited)
ASSETS		
Current Assets		
Cash (Note 4)	\$ 41,883	\$ -
Receivable from Saskatchewan Telecommunications (Note 4)	122	
Interest receivable	144	-
	\$ 42,149	\$ -
NET ASSETS		
	\$ 42,149	\$ -
	\$ 42,149	\$ -

See accompanying notes.

On behalf of SaskTel

R. Stephenson Officer

J. McEwen Officer

Sask911 Account**Statement of Operations and Net Assets**

For the year ended March 31, 1999

	1999	1998
		(unaudited)
Revenues		
Net Sask911 Account fees (Note 3)	\$ 42,005	\$ -
Interest income	144	-
Excess of revenues over expenses	42,149	-
NET ASSETS, BEGINNING OF YEAR	-	-
NET ASSETS, END OF YEAR	\$ 42,149	\$ -

See accompanying notes.

SASK911 ACCOUNT

Notes to Financial Statements

March 31, 1999

1. STATUS OF THE SASK911 ACCOUNT

The Emergency 911 System Act (Chapter E - 7.3 of the Statutes of Saskatchewan) ("the Act") provides for the development, implementation and operation of an Emergency 911 system in the Province, known as The Sask911 System.

Section 45.1 of The Saskatchewan Telecommunications Act ("the SaskTel Act") established the Sask911 Account ("the Account"). Effective January 1, 1999 The Sask911 Fees Regulations (Chapter S - 34 Reg 3 as amended by Saskatchewan Regulations 39/1999) requires all telecommunication operators providing local telephone services in certain municipalities in Saskatchewan to bill their connected customers prescribed Sask911 fees and to remit these fees to Saskatchewan Telecommunications ("SaskTel") for deposit into the Account. SaskTel manages the Account.

Section 7 of the Act provides that the Minister responsible may direct SaskTel to make payments out of the Account for the purposes of implementing the Act or exercising any of the Minister's powers.

2. SCOPE OF FINANCIAL STATEMENTS

In addition to its role in collecting the Sask911 fees referred to in Note 1, pursuant to 9(1) (d.1) of the SaskTel Act, SaskTel is entitled to recover its cost of installing and maintaining the equipment and facilities required to place emergency 911 calls in the Province of Saskatchewan. Fees charged by SaskTel in respect of its telecommunications cost are not reflected in these financial statements but rather as revenue in the financial statements of SaskTel.

3. SASK911 FEES

All revenues recorded in the Account during the year were derived from SaskTel customers.

A portion of the Sask911 fee is retained by SaskTel to cover its cost of billing and account management. The Sask911 fees were deposited into the Account during the year as follows:

Sask911 fees billed

Residential	\$ 39,403
Business/Centrex	4,668
Multiline/PBX	6,220
	50,291
LESS: SaskTel billing and account management fee retained	8,286
Net Sask911 Account fees	\$ 42,005

Deloitte &
Touche



SASK911 ACCOUNT

Notes to Financial Statements

March 31, 1999

4. DESIGNATED ASSETS

The Account contains designated assets to be used for the following funding purposes, under the direction of the Minister:

	<u>1999</u>	<u>1998</u> (unaudited)
Designated assets		
Public safety answering points	\$ 26,218	\$ -
Central co-ordination	3,508	-
Start-up communications	11,283	-
Standards and training	996	-
	<u>\$ 42,005</u>	<u>\$ -</u>

5. STATEMENT OF CHANGES OF FINANCIAL POSITION

A statement of changes in financial position has not been provided as it does not directly provide additional meaningful information.

6. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.



KPMG LLP
Chartered Accountants

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the statement of financial position of Saskatchewan Agricultural Stabilization Fund as at March 31, 1999 and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

May 12, 1999



KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is a member firm of KPMG International, a Swiss association.

SASKATCHEWAN AGRICULTURAL STABILIZATION FUND

Statement of Financial Position
As at March 31

	Waterfowl Account		New Crops Insurance Account		Big Game Damage Account		Agricultural Income Disaster Assistance Account		Total	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Assets										
Cash	\$ 28,542	\$ 5,005,175	\$ ---	\$ ---	\$ 242,092	\$ 3,828,692	\$ ---	\$ ---	\$ 270,634	\$ 8,833,867
Investments (note 5)	19,064,636	---	---	---	10,124,040	---	---	---	29,188,676	---
Due from Province of Saskatchewan	---	---	---	---	---	---	---	---	---	---
- General Revenue Fund (note 4)	---	---	25,952,804	10,131,165	---	---	140,000,000	---	165,952,804	10,131,165
Due from Government of Canada	---	---	---	---	---	1,143,451	---	---	---	1,143,451
Accrued interest and other receivables	57,842	19,337	---	59,192	21,671	---	---	---	397,795	78,529
Due from producers	---	---	---	---	---	3,928	---	---	---	3,928
	\$ 19,151,020	\$ 5,024,512	\$ 26,271,086	\$ 10,190,357	\$ 10,387,803	\$ 4,976,121	\$ 140,000,000	\$ ---	\$ 195,809,902	\$ 20,190,920
Liabilities and Net Assets										
Accounts payable and accrued liabilities	226,321	---	---	---	3,240	561	---	---	231,561	561
Due to Government of Canada	---	---	---	---	---	---	70,000,000	---	70,000,000	---
Deferred revenue	11,640,761	2,865	15,000,000	---	4,360,359	---	---	---	31,001,120	2,865
	11,867,082	2,865	15,000,000	---	4,363,599	561	70,000,000	---	101,232,681	3,426
Net Assets	7,283,938	5,021,647	11,271,086	10,190,357	6,024,204	4,975,560	70,000,000	---	94,577,221	20,187,504
	\$ 19,151,020	\$ 5,024,512	\$ 26,271,086	\$ 10,190,357	\$ 10,387,803	\$ 4,976,121	\$ 140,000,000	\$ ---	\$ 195,809,902	\$ 20,190,920

See accompanying notes to financial statements.

SASKATCHEWAN AGRICULTURAL STABILIZATION FUND

Statement of Operations and Changes in Net Assets For the Year Ended March 31

	Waterford Account		New Crops Insurance Account		Big Game Damage Account		Agricultural Income Disaster Assistance Account		Total	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
Revenue										
Interest income	\$ 622,394	\$ 10,202	\$ 1,080,729	\$ 190,357	\$ 354,213	\$ (49,824)	\$ -	\$ -	\$ 2,057,336	\$ 150,735
Province of Saskatchewan										
- General Revenue Fund grant programs	1,898,077	9,200,000	...	5,000,000	959,408	5,478,835	140,000,000	...	142,857,485	19,678,835
Government of Canada	260,181	(2,865)	...	...	264,978	2,143,451	...	...	525,159	2,140,586
	2,780,652	9,207,337	1,080,729	5,190,357	1,578,599	7,572,462	140,000,000	...	145,439,980	21,970,156
Expenses										
Indemnities	520,361	4,353,148	...	...	529,955	4,286,902	...	...	1,050,316	8,640,050
Transfers to the Government of Canada	...	...	...	...	...	...	70,000,000	...	70,000,000	...
Doubtful accounts	...	5,702	...	...	...	...	...	...	...	5,702
	520,361	4,358,850	...	...	529,955	4,286,902	70,000,000	...	71,050,316	8,645,752
Excess of revenue over expenses for the year	2,260,291	4,848,487	1,080,729	5,190,357	1,048,644	3,285,560	70,000,000	...	74,389,664	13,324,404
Net Assets, beginning of year	5,021,647	173,160	10,190,357	5,000,000	4,975,560	1,690,000	...	...	20,187,564	6,863,160
Net Assets, end of year	\$ 7,281,938	\$ 5,021,647	\$ 11,271,086	\$ 10,190,357	\$ 6,024,204	\$ 4,975,560	\$ 70,000,000	\$ -	\$ 94,577,228	\$ 20,187,564

See accompanying notes to financial statements.

Saskatchewan Agricultural Stabilization Fund

Notes to the Financial Statements

As at March 31, 1999

1. Status of the Fund

The Saskatchewan Agricultural Stabilization Fund was established under *The Farm Financial Stability Act*.

The following programs have separate accounts within the Fund:

New Crops Insurance Program:

The New Crops Insurance Program was established in the 1996-97 fiscal year pursuant to Part IV of *The Farm Financial Stability Act* and is administered by the Saskatchewan Crop Insurance Corporation. The purpose of the program is to compensate the Corporation for insurance losses on new or developmental crops.

Big Game Damage Compensation Program:

The Big Game Damage Compensation Program was established in the 1996-97 fiscal year pursuant to Part IV of *The Farm Financial Stability Act* and is administered by the Saskatchewan Crop Insurance Corporation. The purpose of the program is to compensate producers of commercial agricultural crops for losses to field crops and stacked hay resulting from damage caused by big game.

Waterfowl Damage Compensation Program:

The Waterfowl Damage Compensation Program was established in the 1997-98 fiscal year pursuant to Part IV of *The Farm Financial Stability Act* and is administered by the Saskatchewan Crop Insurance Corporation. The purpose of the program is to compensate producers of commercial agricultural crops for losses to field crops resulting from damage caused by waterfowl.

Agricultural Income Disaster Assistance (AIDA) Program:

The AIDA Program was established in the 1998-99 fiscal year pursuant to Part IV of *The Farm Financial Stability Act* and is administered by Saskatchewan Agriculture and Food. The purpose of the program is to facilitate the participation of Saskatchewan in a federal-provincial initiative to enhance or stabilize the income of farmers. This initiative, administered by the Federal Government, is to assist producers facing a serious decline in their profit margins for the 1998 and 1999 claim years, due to circumstances beyond their control.

In the event that the programs terminate, any remaining net assets must be returned to the Government of Saskatchewan's General Revenue Fund.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles.

Investments:

Investments are recorded at cost less any write down required to reflect a permanent impairment in value.

Measurement uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the period. Actual results could differ materially from those estimated.

Revenue Recognition:

Funding received from the Federal Government is considered to be externally restricted and as a result is deferred until the program itself incurs expenses. The Waterfowl, Big Game and New Crops Insurance programs are intended to be funded 50% by the Federal Government. Therefore, the amount recognized as revenue from the Federal Government is the appropriate percentage of the program expenses.

Funding received from the Province of Saskatchewan is not considered to be externally restricted because the entities are under common control. As a result, grant revenue from the Province of Saskatchewan is recognized when the grant criteria, if any, have been met.

3. Pooling of Operations

Prior to April 1, 1998 the financial statements for the New Crops Insurance, Big Game Damage Compensation and Waterfowl Damage Compensation accounts were included in the financial statements of the Saskatchewan Crop Insurance Corporation. Effective April 1, 1998 they are included in the financial statements of the Saskatchewan Agricultural Stabilization Fund.

This change has been accounted for using the pooling of interest method, the effect of which has been to add \$20,190,990 of assets, \$3,426 of liabilities and \$20,187,564 of net assets for the year ended March 31, 1998.

4. Due from Province of Saskatchewan General Revenue Fund

The New Crops bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of the Province of Saskatchewan. Interest is earned on these funds at the government's thirty day borrowing rate, and is based on the fund's average daily account balance. The average of the thirty day borrowing rate was 5.04% (1998 – 3.77%). The Province of Saskatchewan General Revenue Fund pays interest to the fund on a quarterly basis.

The AIDA Account funds are deposited in the General Revenue Fund. Interest is not paid on this account.

Saskatchewan Agricultural Stabilization Fund **Notes to the Financial Statements** **As at March 31, 1999**

5. Investments

The Fund's investments are:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Waterfowl Account</u>	<u>Big Game Account</u>
April 14, 1999	4.25%	\$500,000	\$500,000
June 13, 1999	4.45%	<u>18,564,636</u>	<u>9,624,040</u>
	TOTAL	<u>\$19,064,636</u>	<u>\$10,124,040</u>

6. Planned results

	<u>Budgeted 1998-99 (\$000)</u>	<u>Actual 1998-99 (\$000)</u>	<u>Actual 1997-98 (\$000)</u>
Revenue			
Waterfowl Crop Damage Compensation	4,500	2,781	9,207
Big Game Damage Compensation	1,000	1,578	7,572
New Crops Insurance	1,000	1,081	5,190
Agricultural Income Disaster Assistance	—	140,000	—
Expenses			
Waterfowl Crop Damage Compensation	4,000	520	4,359
Big Game Damage Compensation	500	530	4,287
New Crops Insurance	—	—	—
Agricultural Income Disaster Assistance	—	70,000	—

7. Fair value of financial assets and financial liabilities

The carrying amounts of the following financial assets and financial liabilities approximate fair value due to their short-term nature:

- Cash
- Investments
- Due from the Province of Saskatchewan General Revenue Fund
- Due from the Government of Canada
- Accrued interest and other receivables
- Accounts payable and accrued liabilities.

8. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies and boards related to the Fund by virtue of common control by the Government of Saskatchewan.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

In accordance with established government practice, the Fund has not been charged with certain occupancy, financing, administrative and other costs. These costs have been absorbed by various departmental appropriations and, therefore, no provision for such costs is reflected in these financial statements.

9. Statement of Cash Flows

These financial statements do not present a cash flow statement because the required cash flow information is readily apparent.

10. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

AUDITOR'S REPORT

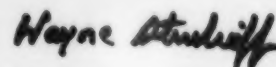
To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Saskatchewan Archives Board as at March 31, 1999 and the statements of revenue and expenditures and net financial assets, and cash flows for the year then ended. The Board's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with the generally accepted public sector accounting principles.

Regina, Saskatchewan
September 2, 1999



Wayne Strelieff, CA
Provincial Auditor

Statement 1

SASKATCHEWAN ARCHIVES BOARD
STATEMENT OF FINANCIAL POSITION
 As at March 31

	<u>1999</u>	<u>1998</u>
Financial Assets:		
Cash (Note 4)	\$ 21,701	\$ 104,469
Accounts receivable	1,337	1,735
General Revenue Fund - Grant Receivable	---	118,600
Prepaid expenses	<u>3,382</u>	<u>6,014</u>
	<u>26,420</u>	<u>230,818</u>
Investment in Pooled funds (Note 4 and 5)	<u>47,371</u>	<u>47,371</u>
	<u>73,791</u>	<u>278,189</u>
Liabilities:		
Accrued vacation pay payable	51,863	71,472
Accounts payable	<u>106,550</u>	<u>73,657</u>
	<u>158,413</u>	<u>145,129</u>
Net financial (liabilities)/assets (Statement 2)	<u><u>\$ (84,622)</u></u>	<u><u>\$ 133,060</u></u>
Investment in tangible capital assets (Note 3)	<u><u>\$ 120,559</u></u>	<u><u>\$ 104,000</u></u>

(See accompanying notes to the financial statements)

Statement 2

SASKATCHEWAN ARCHIVES BOARD
STATEMENT OF REVENUE AND EXPENDITURES AND NET FINANCIAL ASSETS
For the year Ended March 31

	Budget 1999 (Note 9)	Actual 1999	Actual 1998
Revenue:			
Grants - General Revenue Fund	\$ 2,073,000	\$ 2,116,000	\$ 2,138,600
Canadian Council of Archives			2,675
	<u>2,073,000</u>	<u>2,116,000</u>	<u>2,141,275</u>
Services	119,720	104,056	102,956
Photocopy sales	28,000	41,120	34,994
Magazine sales	8,500	7,754	9,304
Miscellaneous	19,930	3,906	25,369
	<u>2,249,150</u>	<u>2,272,836</u>	<u>2,313,898</u>
Expenditures:			
Salaries and benefits	1,593,963	1,641,751	1,464,650
Administrative services	732,805	710,170	736,545
Printing and postage	28,320	26,466	27,078
Equipment	44,300	90,049	57,316
Materials & supplies	23,900	22,082	43,819
	<u>2,423,288</u>	<u>2,490,518</u>	<u>2,329,408</u>
Increase (decrease) in net financial assets	<u>\$ (174,138)</u>	(217,682)	(15,510)
Net financial assets, beginning of year		<u>133,060</u>	<u>148,570</u>
Net financial (liabilities)/assets, end of year		<u>\$ (84,622)</u>	<u>\$ 133,060</u>

(See accompanying notes to the financial statements)

Statement 3

SASKATCHEWAN ARCHIVES BOARD
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	<u>1999</u>	<u>1998</u>
Cash provided by (used in) operating activities:		
Increase (decrease) in net financial assets	<u>\$ (217,682)</u>	<u>\$ (15,510)</u>
Change in net financial assets:		
(Increase) decrease in accounts receivable	118,998	(117,723)
(Increase) decrease in prepaid expenses	2,632	(2,422)
(Decrease) increase in accrued vacation payable	(19,609)	(19,678)
(Decrease) increase in accounts payable	<u>32,893</u>	<u>25,811</u>
Net change in non-cash working capital balances related to operations	<u>134,914</u>	<u>(114,012)</u>
Cash provided by (used in) operating activities	<u>(82,768)</u>	<u>(129,522)</u>
Cash at beginning of year	<u>104,469</u>	<u>233,991</u>
Cash at end of year	<u><u>\$ 21,701</u></u>	<u><u>\$ 104,469</u></u>

(See accompanying notes to the financial statements)

**SASKATCHEWAN ARCHIVES BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Authority

The Saskatchewan Archives Board was established under the authority of *The Archives Act* for the purpose of acquiring and preserving historical documents relating to the history of Saskatchewan and providing these documents to the public for research purposes.

2. Accounting Policies

The financial statements are prepared using generally accepted accounting principles. The following accounting policies are significant.

a) Tangible Capital Assets

Tangible Capital assets are charged to expenditure when purchased rather than when consumed. For accountability purposes, these assets are also recorded separately as an investment in tangible capital assets. The unconsumed cost of the physical assets is the cost of the tangible capital assets less amortization provided over the estimated useful life of the assets on a straight-line basis as follows:

Computer hardware	3 years
Computer software	3 years
Equipment	5 years
Furniture	5 - 20 years

This amortization procedure does not impact the statement of revenues and expenditures.

The Board has placed a nil value on the permanent collection of archival materials for the financial statement purposes.

The cost of materials used to preserve the archival collection is expensed.

b) Expenditures

Expenditures are recorded on the ~~accrual~~ basis and include the costs of tangible capital assets acquired during the year.

c) Investments

Investments are comprised of units in a pooled fund held by the University of Saskatchewan. Additional units are acquired when assets are transferred to the University of Saskatchewan and when disbursements are made by the University of Saskatchewan on behalf of the Board. The Board can realize changes in the underlying unit values by redeeming units.

Units in the pooled fund are recorded in the accounts at their net asset value per unit. The net asset value per unit is the market value of the pooled funds investment divided by the total number of units outstanding in the fund.

3. Tangible Capital Assets

	Office Furniture and Equipment	Computer Hardware and Software	Total 1999	Total 1998
Tangible Capital Assets				
Cost, beginning of year	\$325,252	\$196,151	\$521,403	\$468,779
Additions	39,514	37,973	77,487	52,624
Disposals	(10,590)	-	(10,590)	-
Write-downs	-	-	-	-
Cost, end of year	<u>354,176</u>	<u>234,124</u>	<u>588,300</u>	<u>521,403</u>
Amortization				
Accumulated amortization, beginning of year	259,561	157,842	417,403	340,055
Amortization in year	20,736	40,192	60,928	77,348
Disposals	(10,590)	-	(10,590)	-
Accumulated amortization, end of year	<u>\$269,707</u>	<u>\$198,034</u>	<u>467,741</u>	<u>417,403</u>
Investment in tangible capital assets			<u>\$ 120,559</u>	<u>\$ 104,000</u>

4. Cash and Investments

The University administers cash and investments on behalf of the Board. The University pays the Board interest only for the money related to the Evelyn Eager Estate Trust Fund and the Capital Trust Fund.

5. Saskatchewan History Trust Fund

In July 1992, the Saskatchewan Archives Board received a bequest of \$40,000. It received an additional \$7,371 in September 1994. The \$47,371 is restricted indefinitely with the interest earned applied to the costs of publishing the Saskatchewan History magazine. The Board has the discretion to use the income for other purposes if the Board ceases publication of the magazine.

6. Related Party Transactions

These financial statements include transactions with related parties. The Board is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Board is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Administrative services are provided at a nominal charge to the Board by the University of Saskatchewan and the University of Regina.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. Included in administrative services are amounts paid to the Saskatchewan Property Management Corporation for office space the Board leases in Regina. Lease payments were \$536,933 in 1999 (1998 - \$586,780).

In addition, the Board pays Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

7. Pension Plan

Substantially all of the Board's employees participate in the Public Employees Pension Plan (a related party) which is a defined contribution plan. The Board's financial obligation to the plan is limited to making required payments to match

amounts contributed by employees for current services. Included in salaries and benefits is pension expense for the year of \$70,147 (1998 - \$62,160).

8. Financial Instruments

The Board's financial instruments include cash and investments, accounts receivable and liabilities. The carrying amount of these instruments approximate fair value due to their immediate or short-term maturity. These instruments have no interest or credit risk.

9. Budget

These amounts are included in the annual budget approved by the Saskatchewan Archives Board.

10. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. While the Board is addressing the Year 2000 Issue, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Board, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

AUDITOR'S REPORT

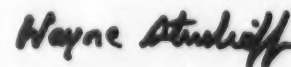
To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Saskatchewan Arts Board as at March 31, 1999 and the statement of operations and net financial assets and the statement of cash flows for the year then ended. The Board's management is responsible for preparing these financial statements for Treasury Boards approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
December 10, 1999



Wayne Strelieff, CA
Provincial Auditor

Statement 1

THE SASKATCHEWAN ARTS BOARD
STATEMENT OF FINANCIAL POSITION
As at March 31

	<u>1999</u>	<u>1998</u>
Current assets:		
Cash (Note 4)	\$ 256,999	\$ 491,648
Prepaid Expenses (Note 11)	125,754	11,195
Accounts Receivable	46,797	23,563
	<u>429,550</u>	<u>526,406</u>
 Tangible capital assets (Note 3(b))	 \$ 96,640	 \$ 94,371
Permanent collection (Note 3(a))	1,544,367	1,474,309
	<u>2,070,557</u>	<u>2,095,086</u>
 Liabilities:		
Accounts payable		
- Grants payable	\$ 302,471	\$ 378,841
- Accrued payable	25,944	43,313
- Other	31,444	8,634
Deferred contributions		
- Permanent collection rental fees	5,955	10,051
- Artist-in-Residence Program	0	108,500
	<u>365,814</u>	<u>549,339</u>
 Net assets represented by:		
Net financial assets (debt) (Statement 2)	63,736	(22,933)
Investment in tangible capital assets (Note 3(b))	96,640	94,371
Permanent collection (Note 3(a))	1,544,367	1,474,309
	<u>1,704,743</u>	<u>1,545,747</u>
	<u>2,070,557</u>	<u>2,095,086</u>

(See accompanying notes to the financial statements)

Statement 2

THE SASKATCHEWAN ARTS BOARD
STATEMENT OF OPERATIONS & NET FINANCIAL ASSETS
For the Year Ended March 31

	<u>1999</u>	<u>1998</u>
Revenues:		
Government of Saskatchewan - General Revenue Fund	\$ 3,635,000	\$ 3,605,000
SaskCulture	110,280	108,500
Other Contributions	55,438	0
Interest and other income	148,106	54,865
Permanent collection		
- Rental fees	52,264	45,907
- Donations of art and archives (Notes 2(c) & 3(a))	49,860	82,000
	<u>4,050,948</u>	<u>3,896,272</u>
Expenses:		
Grants		
- Operations	\$ 1,864,339	\$ 1,992,535
- Projects	255,561	179,180
- Artists-in-Residence	98,500	98,500
- Individual Assistance	498,749	535,927
Permanent Collection		
- Purchases	20,198	24,768
- Donations	49,860	82,000
Program Delivery		
- Grants	437,885	399,326
- Permanent Collection	185,882	144,807
Operations	468,315	390,566
Communications	82,721	95,813
	<u>3,962,010</u>	<u>3,943,422</u>
Excess of revenue over expenses (expenses over revenues) (To Statement 3)	88,938	(47,150)
Net Change in Capital Assets Affecting Operations:		
- Purchases of tangible assets	(22,626)	(18,777)
- Amortization	20,357	19,784
Increase (decrease) in net financial assets	86,669	(46,143)
Net financial assets (debt), beginning of year	(22,933)	23,210
Net financial assets (debt), end of year	<u>63,736</u>	<u>(22,933)</u>

(See accompanying notes to the financial statements)

Statement 3

THE SASKATCHEWAN ARTS BOARD
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	<u>1999</u>	<u>1998</u>
Cash provided by (used in) operating activities:		
Excess of revenue over expenses (expenses over revenues) (From Statement 2)	\$ 88,938	\$ (47,150)
Add items not affecting cash:		
Amortization of tangible capital assets (Note 3(b))	20,357	19,784
	<u>109,295</u>	<u>(27,366)</u>
Changes in non-cash working capital:		
(Increase) in prepaid expenses	(114,559)	(3,686)
(Increase) decrease in accounts receivable	(23,234)	8,949
(Decrease) increase in accounts payable	(70,929)	9,695
(Decrease) increase in deferred contributions	(112,596)	103,945
Net change in non-cash working capital	<u>(321,318)</u>	<u>118,903</u>
Cash provided by (used in) operating activities	(212,023)	91,537
Cash provided by (used in) investing activities:		
- Purchase of tangible capital assets (Note 3(b))	(22,626)	(18,777)
Cash position, beginning of year	491,648	418,888
Cash position, end of year	<u>\$ 256,999</u>	<u>\$ 491,648</u>

(See accompanying notes to the financial statements)

THE SASKATCHEWAN ARTS BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Purpose & Authority

The Saskatchewan Arts Board was established pursuant to *The Arts Board Act*. It has been continued under *The Arts Board Act, 1997* (the Act). It exists to sustain and nurture the well-being of the arts community in Saskatchewan for the benefit of the citizens of the province. The Act continues the Saskatchewan Arts Board Fund through which all financial transactions are conducted which pertain to fulfilling the purposes of the agency as indicated in the Act.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant policies are as follows:

a) Accrual Accounting

The financial statements are prepared on the accrual basis of accounting.

b) Reporting the Results of Operations and Net Financial Assets

The statement of operations and net financial assets reports revenues for the year, the cost of capital assets consumed during the year, i.e. amortized, and the excess of revenues over expenses or expenses over revenues. The results of operations are then adjusted within the statement for the difference between the cost of capital assets consumed and the cost of capital assets acquired during the year. These adjustments reconcile the results of operations to the change in net financial assets.

c) Permanent Collection

The Arts Board maintains a collection of artworks and related archives in all forms in order to inform, enlighten, and enhance the lives of present and future generations. Works in the collection are acquired through purchase, commission, donation, or bequest.

- i) Permanent collection purchases are charged as an expense in the Statement of Operations & Net Financial Assets in the year of purchase.
- ii) Donated works of art and archives for the permanent collection are recorded as revenue at their fair market value at the time of donation with a corresponding charge to expenses in the Statement of Operations & Net Financial Assets.

d) Tangible Capital Assets

Equipment and furnishings are recorded at cost less accumulated amortization. The net book value of equipment and furnishings is detailed in Note 3(b). Net book value of equipment and furnishings is determined by using the straight line amortization method, with an estimated residual value of 10% of cost. Equipment and furnishings are amortized as follows:

Electronic equipment	4 years
Other equipment	6 years
Furnishings	10 years

e) Designated Assets

The Board periodically designates amounts from cash to be allocated for specified purposes. In designating these amounts, the Board takes into account the amounts and stated preferences of contributors. These amounts are not available for other purposes without approval of the Board.

f) Grant expenses

Grants are expensed when approved by the Board, the applicant has met the eligibility criteria and the amount of the grant can be estimated.

g) Cash

Cash consists of interest-bearing money on deposit with the bank. The interest rates range from 4.55% to 5.49%.

3. Tangible Capital Assets

a) Permanent Collection

	1999	1998
Art	\$ 1,521,897	\$ 1,455,339
Archives	22,470	18,970
	<u>\$ 1,544,367</u>	<u>\$ 1,474,309</u>

During the year the Board purchased works of art for the permanent collection totaling \$20,198 (1998 - \$24,768) and received donations of art works and archives valued at \$49,860 (1998 - \$82,000).

In March 1994, the permanent collection was appraised by members of the Professional Art Dealers Association of Canada, and assigned a value of \$1,513,157, excluding frames, on the basis of market value. The value of the collection disclosed in the financial statements at that time was \$810,847.

b) Equipment and Furnishings

During the year the Board purchased equipment and furnishings totaling \$22,626 (1998 - \$18,777). Capital assets are comprised of the following amounts:

	1999			1998		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furnishings	\$151,975	\$108,757	\$ 43,218	\$151,975	\$100,563	\$ 51,413
Other Equipment	49,812	29,730	20,082	34,302	26,569	7,733
Electronic Equipment	173,371	140,031	33,340	166,255	131,029	35,225
Total	<u>\$375,158</u>	<u>\$278,518</u>	<u>\$ 96,640</u>	<u>\$352,532</u>	<u>\$258,161</u>	<u>\$ 94,371</u>

The amortization for the year ended March 31, 1999 was \$20,357 (1998 - \$19,784).

c) Land

In July, 1998, Order-in-Council 485/98 authorized Saskatchewan Environment and Resource Management to sell, and the Arts Board to acquire, provincial lands identified in the Order-in-Council for the total value of \$1. The current market value of the land has not been determined as of the issuance of the financial statements.

d) Operating lease obligations

The Board leases office space from the Saskatchewan Property Management Corporation. Future minimum lease payments under these operating leases are:

<u>Fiscal Year</u>	<u>Operating Leases</u>
1999/00	\$ 124,614
2000/01	124,614
2001/02	124,614
2002/03	124,614
Subsequently	15,777
	<u>\$ 514,233</u>

4. Designated Assets

In 1999 the Board designated \$72,077 from cash (1998 - \$1,400). The total of amounts designated and allocated by the Board collectively earned interest of \$3,635 (1998 - \$916). The comparative year-end allocation balances are as follows:

	<u>1999</u>	<u>1998</u>
Jane Turnbull Evans Memorial Fund	\$ 75,370	\$ 0
Fred Mennie Fund	20,884	0
Cicanski-Creighton Fund	3,346	3,286
Painchaud Fund	2,719	2,592
Other Funds	1,997	1,881
Olaf & Alice Turnbull Fund	0	20,845
	<u>\$ 104,316</u>	<u>\$ 28,604</u>

5. Pension Plan

Employees make contributions to the Public Employees Pension Plan, a defined-contribution plan. Funding requirements are established by *The Superannuation (Supplementary Provisions) Act* and employee contributions are matched by the Board. This plan is fully funded.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Saskatchewan Arts Board by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively known as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

7. Comparison of Planned and Actual Results by Object

Expenses on the Statement of Operations & Net Financial Assets are reported for the year ended March 31 by object as follows:

	1999		1998
	Budget	Actual	Actual
Revenues			
General Revenue Fund	\$ 3,648,900	\$ 3,635,000	\$ 3,605,000
Donations of Art & Archives	0	49,860	82,000
Other	286,000	366,088	209,272
Total revenue	<u>\$ 3,934,900</u>	<u>\$ 4,050,948</u>	<u>\$ 3,896,272</u>
Expenses			
Grants expense	\$ 2,718,399	\$ 2,717,149	\$ 2,806,142
Permanent Collection			
Acquisitions	36,050	20,198	24,768
Donations	0	49,860	82,000
Operations			
Salaries and benefits	621,400	609,883	569,182
Office and Administration	221,051	217,134	214,418
Furniture and equipment	39,200	34,043	37,088
Programs and Services	179,800	194,084	91,143
Travel and meetings	65,000	65,674	66,505
Printing and promotion	54,000	53,985	52,176
Total expenses	<u>3,934,900</u>	<u>3,962,010</u>	<u>3,943,422</u>
Excess of revenues over expenses			
(expenses over revenues)	<u>\$ 0</u>	<u>\$ 88,938</u>	<u>\$ (47,150)</u>

The budget for the 1998/99 year was approved by the Board on June 19, 1998.

8. Financial Instruments

The Arts Board's significant financial instruments consist of cash, accounts receivable, and accounts payable. The fair values of the cash, accounts receivable, and accounts payable approximate their carrying value due to the short-term nature of these instruments.

9. Uncertainty Due to Year 2000

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. While the Arts Board is addressing the Year 2000 issue, it is not possible to be certain that all aspects of the Year 2000 issue affecting the Arts Board, including those relating to the efforts of customers, suppliers, or other third parties, will be fully resolved.

10. Commitments

During the year the Board undertook to replace its operations grants program with a global grants program for eligible arts organizations. This change takes effect, for funding purposes, as of the year ending March 31, 2000. During the year the Board approved grants of \$2,035,900 for the year ending March 31, 2000, subject to the availability of funding for this purpose.

11. Prepaid Grants

The Board prepaid \$113,250 of the global grants approved for the year ending March 31, 2000.

12. Comparative Amounts

Certain 1998 balances have been reclassified to conform with the current year's presentation.

Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of financial position of the Saskatchewan Auto Fund as at December 31, 1998 and the statements of operations and rate stabilization reserve (deficit) and changes in financial position for the year then ended. These financial statements are the responsibility of the management of Saskatchewan Government Insurance as administrators of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Canada

February 12, 1999

Statement of financial position

December 31

19981997

(thousands of \$)

Assets

Cash and treasury bills (note 3)	\$ 50,169	\$ 32,598
Accounts receivable (note 4)	36,337	17,283
Deferred policy acquisition costs	7,365	5,931
Prepaid expenses and inventories	3,184	2,835
Investments (note 5)	468,762	434,962
Net investment in capital leases (note 6)	7,455	7,798
Capital assets (note 7)	<u>28,548</u>	<u>33,899</u>
	<u>\$601,820</u>	<u>\$535,306</u>

Liabilities

Accounts payable and accrued charges	\$ 20,736	\$ 16,889
Premium taxes payable	16,224	14,507
Provision for unpaid claims (note 8)	493,032	487,742
Unearned premiums	<u>163,450</u>	<u>144,022</u>
	<u>693,442</u>	<u>663,160</u>

Rate Stabilization Reserve (Deficit)

	<u>(91,622)</u>	<u>(127,854)</u>
	<u>\$601,820</u>	<u>\$535,306</u>

Commitments (note 13)

(see accompanying notes)

Statement of operations and Rate Stabilization Reserve (Deficit)

year ended December 31	<u>1998</u>	<u>1997</u>
	(thousands of \$)	
Premiums written	<u>\$ 404,006</u>	<u>\$ 360,818</u>
Premiums earned	\$ 384,395	\$ 347,768
Investment earnings (note 9)	54,737	59,019
Other income (note 10)	<u>13,571</u>	<u>11,607</u>
Total revenue	<u>452,703</u>	<u>418,394</u>
Claims incurred	350,292	372,828
Issuer fees	12,198	13,760
Premium taxes	15,442	13,969
Administrative expenses	32,308	27,874
Traffic safety programs	<u>6,231</u>	<u>5,175</u>
Total claims and expenses	<u>416,471</u>	<u>433,606</u>
Net increase (decrease) to Rate Stabilization Reserve	36,232	(15,212)
Rate Stabilization Reserve (Deficit), beginning of year	<u>(127,854)</u>	<u>(112,642)</u>
Rate Stabilization Reserve (Deficit), end of year	<u>\$ (91,622)</u>	<u>\$ (127,854)</u>

(see accompanying notes)

Statement of changes in financial position

year ended December 31

	1998	1997
	(thousands of \$)	
Cash provided by (used for) operating activities		
Net increase (decrease) to Rate Stabilization Reserve	\$ 36,232	\$(15,212)
Non-cash items:		
Amortization	9,730	7,646
Realized gain on disposal of investments and capital assets	(27,169)	(31,045)
(Income) loss from equity investment	(21)	120
Investment write down	1,781	398
Change in non-cash operating items:		
Accounts receivable	(19,054)	(829)
Deferred policy acquisition costs	(1,434)	1,318
Prepaid expenses and inventories	(349)	282
Accounts payable and accrued charges	3,847	8,545
Premium taxes payable	1,717	1,763
Provision for unpaid claims	5,290	(2,967)
Unearned premiums	19,428	5,949
	<u>29,998</u>	<u>(24,032)</u>
Cash provided by (used for) investing activities		
Purchases of investments	(502,170)	(323,269)
Proceeds on sale of investments	492,595	356,228
Repayment of capital leases	343	311
Purchases of capital assets	(3,205)	(7,916)
Proceeds on disposal of capital assets	10	112
	<u>(12,427)</u>	<u>25,466</u>
Increase in cash and treasury bills	17,571	1,434
Cash and treasury bills		
Balance, beginning of year	<u>32,598</u>	<u>31,164</u>
Balance, end of year	<u>\$ 50,169</u>	<u>\$ 32,598</u>

(see accompanying notes)

Notes to the financial statements

December 31, 1998

1. STATUS OF THE FUND

The Saskatchewan Auto Fund (the Fund) was established effective Jan. 1, 1984 by an amendment to the Automobile Accident Insurance Act (Chapter A-35, Revised Statutes of Saskatchewan, 1978).

The Rate Stabilization Reserve (Deficit) is held on behalf of Saskatchewan's motoring public and is not used for the payment of general dividends.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fund are in accordance with generally accepted accounting principles. The following are considered to be significant:

Deferred policy acquisition costs

Premium taxes and issuer fees are deferred and then charged to expense over the terms of the insurance policies to which such costs relate. The method followed in determining the deferred policy acquisition costs limits the amount of the deferral to the amount recoverable from unearned premiums after giving consideration to investment income, as well as to claims and adjustment expenses expected to be incurred as the premiums are earned.

Investments

Bonds, debentures and mortgages are recorded at amortized cost. Treasury bills, shares, pooled funds and real estate are valued at cost. Investments are written down when there is a decline in value that is other than temporary. Dividends on common shares are recognized as income on their record dates. Gains and losses on the sale of investments are recognized on the date of settlement.

The Fund owns a 20% interest in SGI CANADA Insurance Services Ltd. (SCISL), a company formed to sell insurance products in provinces other than Saskatchewan. The investment in SCISL is recorded on the equity basis, whereby the carrying value of the investment is adjusted by the Fund's share of SCISL's earnings or losses and reduced by cash received.

The Fund has a one-third interest in a real estate joint venture which is accounted for using proportionate consolidation. The resulting income producing property is amortized over its estimated useful life of 50 years on a sinking fund basis. The other interests in this joint venture are SaskPen and a private sector investor. SaskPen is a real estate corporation owned by Province of Saskatchewan employee pension plans.

Capital leases

Investment earnings related to direct financing leases are recognized in a manner that produces a constant rate of return on the investment in each lease. The net investment in leases is composed of net minimum lease payments less unearned finance income.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis, commencing in the year in which the assets are placed in service, over their estimated useful lives as follows:

Buildings	2 1/2 - 5%
Computer hardware, system costs, and other equipment	20 - 50%

Provision for unpaid claims

The provision for unpaid claims represents an estimate of the total cost of claims to the year-end date. Included in the estimate are reported claims, claims incurred but not reported and an estimate of adjustment expenses to be incurred on these claims. The provision is calculated without discounting except for long-term disability claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

Premiums

Premiums written are taken into income over the terms of the related policies. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Foreign currency translation

Monetary items denominated in foreign currency are translated at the exchange rate in effect at the year end. Share investments, revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

3. CASH AND TREASURY BILLS

Cash and treasury bills which comprise treasury bills and commercial paper have an average effective interest rate of 4.9% (1997 - 4.0%).

4. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	(thousands of \$)	
	1998	1997
Financed premiums receivable	\$21,937	\$ 6,101
Accrued investment income	3,654	3,919
Amount recoverable on paid claims	2,494	1,917
Other	8,252	5,346
Total accounts receivable	<u>\$36,337</u>	<u>\$17,283</u>

5. INVESTMENTS

The carrying value and fair value of the Fund's investments are as follows:

	(thousands of \$)			
	1998		1997	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds and debentures	\$238,554	\$246,204	\$211,994	\$223,605
Pooled bond fund	103,057	111,602	95,212	102,098
Common shares	73,058	106,981	65,753	104,276
Pooled equity fund	23,332	31,450	23,935	27,175
Mortgages	17,693	18,115	25,021	25,620
Income producing property	10,556	12,500	10,615	12,500
Real estate	950	1,066	950	1,066
	467,200	<u>\$527,918</u>	433,480	<u>\$496,340</u>
Investment in SGI CANADA				
Insurance Services Ltd.	1,562		1,482	
Total investments	<u>\$468,762</u>		<u>\$434,962</u>	

The Fund utilizes the services of professional investment managers. The pooled bond and equity funds are the T.A.L. Bond Index Fund and the Greystone Non-North American Equity Fund respectively.

The income producing property consists of land and building with costs of \$1,451,000 (1997 - \$1,451,000) and \$9,446,000 (1997 - \$9,446,000) respectively and accumulated amortization of \$341,000 (1997 - \$282,000).

Details of significant terms and conditions, exposures to interest rate and credit risks on investments are as follows:

(i) Bonds and debentures:

The Fund's investment policy limits its investment concentration in any one investee or related group of investees to 6% of the market value of the investment assets for corporate bonds and debentures and 20% for bonds and debentures issued by any one province. Also, a limit of BBB is placed on the investment grade of bonds and debentures that may be purchased.

The carrying value and average effective interest rates are shown by contractual maturity (see next page). Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. The carrying values are essentially the same as the principal values and therefore the average effective rates are not materially different from the coupon rates. Interest is generally payable on a semi-annual basis.

	(thousands of \$)			
	1998		1997	
Term to maturity (years)	Carrying Value	Average Effective Rates	Carrying Value	Average Effective Rates
Government of Canada:				
One or less	—	—	\$ 1,988	7.0%
After one through five	\$ 81,734	5.4%	78,998	5.8%
After five	74,181	5.2%	41,594	6.4%
Canadian provincial & municipal:				
One or less	2,750	10.0%	4,565	8.9%
After one through five	18,680	5.7%	15,781	7.5%
After five	18,984	6.4%	23,956	6.9%
Canadian corporate:				
After one through five	15,624	5.7%	7,562	6.5%
After five	26,601	6.8%	37,550	7.6%
Total bonds & debentures	<u>\$238,554</u>		<u>\$211,994</u>	

Included in bonds and debentures above are bonds denominated in United States dollars with a carrying value of \$4,021,000 (1997 - \$4,635,000). Repayment of principal and interest is receivable on a semi-annual basis in United States dollars. In order to minimize the risk of foreign exchange fluctuations, the Corporation has hedged this risk by purchasing United States dollar forward exchange contracts.

(ii) Pooled bond fund:

The Fund owns units in a pooled bond fund which has no fixed interest rate and its returns are based on the success of the fund manager and future interest rates.

(iii) Common shares:

Common shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis. The average effective rate is 1.9% (1997 - 2.3%).

Common shares include \$14,375,000 (1997 - \$16,560,000) denoted in United States dollars.

The Fund's investment policy limits its investment concentration in any one investee or related group of investees to 3% of the market value of the Fund's investment assets.

(iv) Pooled equity fund:

The Fund owns units in a pooled equity fund which has no fixed interest rate and its returns are based on the success of the fund manager. The pooled equity fund consist of units in the Greystone Non-North American Equity Fund. During 1998, investment income of \$894,000 (1997 - \$380,000) was earned on these units. The Fund is a 5.6% shareholder in Greystone Capital Management Inc. along with Saskatchewan public sector pension plans and agencies, and private sector corporations.

(v) Mortgages:

The mortgage portfolio consists entirely of Canadian commercial mortgages with an average effective interest rate of 8.5% (1997 - 8.9%) with an average maturity of 2.4 years (1997 - 2.3 years). Principal and interest is receivable on a monthly basis.

6. NET INVESTMENT IN CAPITAL LEASES

One of the Fund's capital leases is a 63% interest in a lease agreement with Saskatchewan Property Management Corporation, a related party, for a term of 30 years (expiring March, 2011) on property in Prince Albert, Saskatchewan. The related party total minimum lease payments receivable are \$12,184,000 (1997 - \$13,179,000), and unearned income is \$5,183,000 (1997 - \$5,900,000).

Each lease transfers substantially all of the benefits and risks incident with the ownership of the property to the lessee. The Fund's total net investment in capital leases includes the following:

	(thousands of \$)	
	<u>1998</u>	<u>1997</u>
Total minimum lease payments receivable (\$1,106,000 per year)	\$12,757	\$13,863
Unearned income	<u>(5,302)</u>	<u>(6,065)</u>
Net investment in capital leases	<u>\$ 7,455</u>	<u>\$ 7,798</u>

The fair value of the net investment in capital leases is \$8,884,000 (1997 - \$9,758,000).

7. CAPITAL ASSETS

The components of the Fund's investment in capital assets, as well as the related accumulated amortization, are as follows:

	(thousands of \$)			
	<u>1998</u>			<u>1997</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Land	\$ 5,210	\$ -	\$ 5,210	\$ 5,210
Buildings and improvements	26,767	9,782	16,985	16,449
Computer hardware, system costs, and other equipment	<u>29,162</u>	<u>22,809</u>	<u>6,353</u>	<u>12,240</u>
Total	<u>\$61,139</u>	<u>\$32,591</u>	<u>\$28,548</u>	<u>\$33,899</u>

Amortization for the year is \$8,572,000 (1997 - \$6,627,000).

8. PROVISION FOR UNPAID CLAIMS

(i) Nature of unpaid claims:

The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a large variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Fund at the year-end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists for reported claims that have not been settled as all the necessary information may not be available at the balance sheet date.

There are a number of factors used to estimate the provision, such as the Fund's experience with similar cases, historical trends involving claims payments, the characteristics of the class of business, claims severity and claim frequency such as those caused by natural disasters, the effect of inflation on future claims, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim the more variable the ultimate settlement amount will be. Accordingly, short-tailed claims such as damage claims tend to be more reasonably predictable than long-tailed claims such as long-term disability and liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors and on the judgment and opinions of a large number of individuals, which necessarily involves risks that the actual results may differ materially from the estimates.

(ii) Variability of unpaid claims:

The Fund's appointed actuary completes an annual evaluation of the adequacy of the policy liabilities at the end of each financial year. The actuary provides a recommended amount as well as a range indicating the low and high estimate of the provision for unpaid claims at the year-end date. Management then analyzes the information provided by the actuary and records an amount based on this analysis, which is virtually the same as the recommended amount. The recorded amount, along with a range of the amount the provision could reasonably be expected to change within the next 12 months, are as follows:

	Recorded	(thousands of \$)	
		Range	
Gross provision for unpaid claims	\$470,765	\$427,317	to \$543,717
Provision for claims adjusting expenses	<u>22,267</u>	<u>20,196</u>	to <u>25,637</u>
Total provision for unpaid claims	<u>\$493,032</u>	<u>\$447,513</u>	to <u>\$569,354</u>

Included in the provision for unpaid claims are discounted amounts for long-term disability entitlements in the amount of \$284,688,000 (1997 - \$243,829,000). These claims have been discounted using a rate of 3 to 6% to take account of the time value of money and include a provision for adverse development.

(iii) Type of unpaid claims:

The provision for unpaid claims is summarized by type of claim as follows:

	(thousands of \$)	
	<u>1998</u>	<u>1997</u>
Injury accident benefits	\$303,078	\$259,522
Injury liability	151,242	187,669
Damage	<u>38,712</u>	<u>40,551</u>
Total	<u>\$493,032</u>	<u>\$487,742</u>

9. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	(thousands of \$)	
	<u>1998</u>	<u>1997</u>
Interest and dividends	\$27,624	\$26,556
Realized gains on sale of investments	27,143	31,038
Income from income producing property, net of operating costs of \$740,000 (1997 - \$684,000)	989	1,028
Income from capital leases	762	795
Investment write down	<u>(1,781)</u>	<u>(398)</u>
Total investment earnings	<u>\$54,737</u>	<u>\$59,019</u>

Cash inflows from the income producing property are \$1,060,000 (1997 - \$1,051,000).

10. OTHER INCOME

The Fund operates a salvage division in order to maximize the derived economic value of salvageable vehicles, vehicle parts and materials available through the claims settlement process. In 1998, total salvage sales were \$19,731,000 (1997 - \$20,749,000); gross earnings on sales were \$7,267,000 (1997 - \$7,431,000); and net earnings were \$4,242,000 (1997 - \$4,628,000). The net earnings of the salvage division are included in other income.

The Fund offers a Short-Term Vehicle Registration and Insurance plan which allows the motoring public to choose the number of months they wish to insure and register their vehicle. Another payment option, AutoPay, allows the motoring public to have equal monthly withdrawals made from their bank accounts for their vehicle registration and insurance. Included in other income is \$9,328,000 (1997 - \$6,979,000) for fees charged to users of these plans.

11. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Transactions and amounts outstanding at year-end, are as follows:

Category	(thousands of \$)	
	1998	1997
Cash and treasury bills	\$ 1,979	\$ -
Accounts receivable	1,930	455
Deferred policy acquisition costs	6,364	5,582
Investments	5,091	10,532
Accounts payable and accrued charges	265	3,787
Premium taxes payable	16,224	14,507
Provision for unpaid claims	3,439	1,543
Unearned premiums	1,842	1,333
Premiums written	4,696	3,473
Premiums earned	4,469	3,350
Investment earnings	886	1,168
Claims incurred	17,250	14,687
Premium taxes	15,442	13,969
Administrative expenses	2,251	2,087
Traffic safety programs	1,233	1,152

Saskatchewan Government Insurance (SGI) acts as administrator of the Fund. Administrative and claims adjustment expenses incurred by SGI are allocated to the Fund and SGI directly or on the basis of specific distributions. Amounts incurred by SGI and charged to the Fund were \$74,336,000 (1997 - \$65,402,000) and accounts payable are \$2,367,000 (1997 - \$2,263,000).

The Fund acts as agent for the provincial Department of Finance regarding the collection of driver and motor vehicle licence registration fees and the collection of education and health tax on certain vehicle purchase transactions. The amounts payable at the year-end date are included in the above table. The cost to administer and collect these fees and taxes on behalf of the Department of Finance are borne by the Auto Fund.

Other related party transactions are described separately in the notes.

12. FAIR VALUES

The following method and assumptions were used to estimate the fair value of each class of financial instrument:

(i) For the following financial instruments the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments:

- (a) cash and treasury bills
- (b) accounts receivable
- (c) accounts payable and accrued charges
- (d) premium taxes payable

(ii) For the following financial instruments the fair values are considered to approximate quoted market values on recognized stock exchanges, based on the latest bid prices:

- (a) bonds and debentures
- (b) pooled bond fund
- (c) common shares
- (d) pooled equity fund

(iii) Mortgages

The fair value is calculated by discounting scheduled cash flows through to the estimated maturity of the mortgage using current interest rates.

(iv) Net investment in capital lease

The fair value is calculated by discounting scheduled cash flows through to the estimated expiration of the lease using current interest rates.

(v) Provision for unpaid claims

The fair value of the provision for unpaid claims has been omitted because it is not practicable to determine fair value with sufficient reliability (note 8).

13. COMMITMENTS

The Fund has contractual obligations to provide funding to Saskatchewan health organizations for costs associated with research and rehabilitation of victims of automobile accidents. The funding to be provided over the next five years is anticipated to be \$21.2 million.

14. YEAR 2000 ISSUE

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after Jan. 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of suppliers, or other third parties, will be fully resolved.

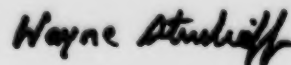
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Saskatchewan Cancer Foundation as at March 31, 1999 and the statements of operations and changes in fund balances, and changes in financial position for the year then ended. The Foundation's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
June 25, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

SASKATCHEWAN CANCER FOUNDATION
STATEMENT OF FINANCIAL POSITION
As at March 31

	1999					1998	
	Operating Funds		Restricted Funds				
	Operating Fund	Division of Epidemiology, Prevention & Screening	Capital Fund	Research Fund	Trust Fund	Total	Total
ASSETS							
Current assets:							
Cash and short-term investments	\$ 7,950,627	\$ 2,366,346	\$ 2,056,861	\$ 146,034	\$ 1,255,747	\$ 13,775,615	\$ 11,967,520
Accounts receivable:							
- General Revenue Fund	348,347	133,173	89,420	---	27,801	598,741	233,963
- Other and accrued interest	102,013	4,193	---	20,485	3,000	129,691	384,939
Prepaid expenses	146,602	(73,161)	9,382	(75,013)	(7,810)	---	53,865
Due (to) from other funds	8,547,589	2,430,551	2,155,663	91,506	1,278,738	14,504,047	12,640,287
Capital assets (Note 3)	---	---	22,221,620	---	---	22,221,620	23,208,739
	<u>\$ 8,547,589</u>	<u>\$ 2,430,551</u>	<u>\$ 24,377,283</u>	<u>\$ 91,506</u>	<u>\$ 1,278,738</u>	<u>\$ 36,725,667</u>	<u>\$ 35,849,026</u>
LIABILITIES AND FUND BALANCES							
Current Liabilities:							
Accounts payable:							
- Trade	\$ 1,773,492	\$ 179,360	\$ 609,228	\$ 10,547	\$ 793	\$ 2,573,420	\$ 2,117,824
- Vacation	368,064	7,501	---	---	---	375,565	314,873
Deferred revenue	711,556	108,059	---	---	---	819,615	626,614
	<u>2,853,112</u>	<u>294,920</u>	<u>609,228</u>	<u>10,547</u>	<u>793</u>	<u>3,768,600</u>	<u>3,059,311</u>
Fund Balances:							
Invested in capital assets	---	---	22,221,620	---	---	22,221,620	23,208,739
Other capital fund net assets	---	---	1,546,435	---	---	1,546,435	1,609,090
Externally restricted, statement 2	---	---	---	80,959	1,277,945	1,358,904	2,107,999
Unrestricted, statement 2	5,694,477	2,135,631	23,768,055	---	---	7,830,108	5,863,887
	<u>5,694,477</u>	<u>2,135,631</u>	<u>23,768,055</u>	<u>80,959</u>	<u>1,277,945</u>	<u>32,957,067</u>	<u>32,789,715</u>
	<u>\$ 8,547,589</u>	<u>\$ 2,430,551</u>	<u>\$ 24,377,283</u>	<u>\$ 91,506</u>	<u>\$ 1,278,738</u>	<u>\$ 36,725,667</u>	<u>\$ 35,849,026</u>

(See accompanying notes to the financial statements)

Statement 2

SASKATCHEWAN CANCER FOUNDATION

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended March 31

	Operating Funds				Restricted Funds			
	Operating Fund	Division of Epidemiology, Prevention & Screening	Total 1999	Total 1998	Capital Fund	Research Fund	Trust Fund	Total 1999
Revenue:								
Funding from the Department of Health								
- General Revenue Fund	\$ 25,298,764	\$ 2,446,440	\$ 27,745,204	\$ 26,107,255	\$ 57,600	\$ 345,000	\$ ---	\$ 402,600
Grants	---	---	---	---	---	---	---	---
Donations and bequests	760,843	117,208	878,051	954,423	(5,000)	---	212,955	82,752
Other income (loss)	26,059,607	2,563,648	28,623,255	27,061,678	52,600	3,291	(1,209)	703,714
								50,000
								808,709
Expense:								
Divisions and general administration	14,212,329	1,535,691	15,748,020	14,145,184	---	---	---	---
Salaries and employee benefits	---	---	---	1,407,315	---	---	---	---
Medical services	6,323,992	---	6,323,992	6,483,727	---	---	---	---
Drugs and medical supplies	1,317,431	---	1,317,431	1,307,354	---	---	---	---
Purchased services	2,620,229	870,521	3,490,750	3,076,102	---	---	82,752	82,752
Other operating expenditures	---	---	---	---	---	804,383	---	804,383
Research grants (Schedule 1)	---	---	---	---	---	---	58,121	58,121
Trust fund grants	24,473,981	2,406,212	26,880,193	26,419,682	---	804,383	140,873	945,256
	1,585,626	157,436	1,743,062	641,996	52,600	(276,930)	72,082	(152,248)
	576,699	162,676	739,375	575,156	46,843	8,653	206,995	262,491
	---	---	---	5,409	---	---	---	---
	2,162,325	320,112	2,482,437	1,211,743	99,443	(268,277)	279,077	110,243
	---	---	---	---	---	---	---	---
	---	---	---	---	2,425,328	---	---	2,425,328
	2,162,325	320,112	2,482,437	1,211,743	(2,325,885)	(268,277)	279,077	(2,315,085)
Excess (deficiency) of revenue over expense								
Fund balances, beginning of year	4,048,368	1,815,519	5,863,887	5,087,644	24,817,829	142,118	1,965,981	26,925,928
Interfund transfers (Note 10)	(516,216)	---	(516,216)	(435,500)	1,276,111	207,118	(967,013)	516,216
Fund balances, end of year	\$ 5,694,477	\$ 2,135,631	\$ 7,830,108	\$ 5,863,887	\$ 23,768,055	\$ 80,959	\$ 1,277,945	\$ 25,126,959
								26,925,928

(See accompanying notes to the financial statements)

Statement 3

SASKATCHEWAN CANCER FOUNDATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
Year Ended March 31

	<u>1999</u>	<u>1998</u>
Cash resources provided by (used in):		
OPERATING ACTIVITIES:		
Excess (deficiency) of revenue over expenditure (Statement 2):		
Operating fund	\$ 2,162,325	\$ 800,629
Division of Epidemiology, Prevention & Screening	320,112	411,114
Research fund	(268,277)	(157,634)
Trust fund	<u>279,077</u>	<u>289,013</u>
	2,493,237	1,343,122
Net change in non-cash working capital (Note 4)	<u>653,624</u>	<u>(2,183,870)</u>
Net cash (used in) provided by operating activities	3,146,861	(840,748)
INVESTMENT ACTIVITIES:		
Net acquisition of capital assets	(1,438,209)	(701,147)
FINANCING ACTIVITIES:		
Payment from General Revenue Fund for capital assets	57,600	213,000
Other capital fund activities	<u>41,843</u>	<u>71,645</u>
Net change in cash resources during the year	1,808,095	(1,257,250)
Cash and short-term investments, beginning of year	<u>11,967,520</u>	<u>13,224,770</u>
Cash and short-term investments, end of year	<u>\$ 13,775,615</u>	<u>\$ 11,967,520</u>

(See accompanying notes to the financial statements)

**SASKATCHEWAN CANCER FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Legal Status of the Saskatchewan Cancer Foundation

The Foundation was created under provisions of *The Cancer Foundation Act* and commenced operations on August 1, 1979. The Foundation conducts a program for the treatment and prevention of cancer.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant policies:

a) Fund accounting

The accounts of the Foundation are maintained in accordance with the principles of fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funding groups:

Unrestricted Funds

i) Operating Fund

The operating fund reflects the operations of the Allan Blair Cancer Centre, the Saskatchewan Cancer Centre and their respective patient lodges. The Centres provide diagnostic services, treatment services in radiotherapy and chemotherapy, and follow-up services. The Centres also serve as the focal point for the co-ordination of a comprehensive and multi-disciplinary approach to all aspects of care and treatment for cancer patients.

ii) Epidemiology, Prevention & Screening

Research, education and preventive programs in this fund are aimed at minimizing the impact of cancer through increased understanding and awareness of cancer causes, prevention and control.

Epidemiologic research studies the distribution and determinants of disease in populations, and includes surveillance, monitoring, risk factor and outcome studies, as well as program monitoring.

The Screening Program for Breast Cancer has responsibility for screening mammography for women ages 50-69 years of age in the Province.

Restricted Funds

iii) Capital Fund

The capital fund reflects the equity of the Foundation in capital assets. The capital fund includes revenues received from the Department of Health - General Revenue Fund. Expenses are primarily amortization of capital assets.

iv) Research Fund

The Department of Health - General Revenue Fund has provided funding to enable the Foundation to support a number of research projects. The Department of Health has attached the following guidelines to the funds:

- a) Expenditure of these funds is at the discretion of the Foundation. The Foundation will assume responsibility for research costs in excess of the amount funded.
- b) Research funds, including investment income on the funds, should be kept separate from other funds of the Foundation.

v) Trust Fund

The Trust Fund accepts donations for contributions designated by the contributors to be used for such purposes as cancer research, equipment and library books. The Foundation maintains a record of the funds contributed and spent for each of the designated purposes until such funds are fully utilized.

b) Revenue

All revenue is recorded on the accrual basis of accounting.

c) Short-term investments

Short-term investments are valued at cost, which approximates market.

d) Capital Assets

Capital assets are recorded at cost. Normal maintenance and repairs are expensed as incurred. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	20 years
Leasehold Alterations	10 - 20 years
Equipment	5 - 10 years

3. Capital Assets

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land & Improvements	\$ 280,297	\$ ---	\$ 280,297	\$ 280,297
Buildings	18,236,378	10,483,379	7,752,999	8,659,894
Leasehold Alterations	10,028,181	1,882,838	8,145,343	8,566,425
Equipment & Furniture	19,677,975	13,634,994	6,042,981	5,702,123
	<u>\$ 48,222,831</u>	<u>\$ 26,001,211</u>	<u>\$ 22,221,620</u>	<u>\$ 23,208,739</u>

4. Net Change in Non-Cash Working Capital Balances Related to Operations

	1999	1998
Decrease (increase) in General Revenue Fund receivable	\$ 233,963	\$ (212,628)
(Increase) decrease in other accounts receivable	(213,802)	2,366
(Increase) decrease in prepaid expenses	(75,826)	26,262
Increase (decrease) in trade accounts payable	455,596	(2,248,457)
Increase in vacation accrual	60,692	21,269
Increase in deferred revenue	193,001	227,318
Net change in non-cash working capital balances related to operations	<u>\$ 653,624</u>	<u>\$ (2,183,870)</u>

5. Pension Plan

The Foundation participates in The Public Employees' Pension Plan, a defined contribution pension plan, for the benefit of its employees. The Foundation's financial obligation to the plan is limited to making regular payments to match the amount contributed by the employees for current services. The Foundation's pension expense for 1999 amounted to \$573,363 (1998 - \$512,163).

6. Commitments

The Foundation is committed under term leases for office space at the following minimum amounts over the next five years (exclusive of proportionate increases and additional occupancy costs):

2000	\$ 132,469
2001	96,011
2002	25,927
2003	---
2004	---

7. Cancer Patient Lodges

The Canadian Cancer Society, Saskatchewan Division, has donated two cancer patient lodges in the Province to the Foundation. Under the terms of an agreement with the Society, the Foundation has assumed responsibility for the operations of these lodges. Title to the properties will remain with the Foundation so long as they are operated as cancer patient lodges.

8. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Foundation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Drugs and purchased hospital services acquired from related parties are recorded at exchange amounts agreed to by the related parties. These transactions and amounts outstanding at year end are as follows:

	1999	1998
Expenses	\$ 10,467,257	\$ 10,544,845
Accounts payable	1,600,051	1,583,057

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

	1999	1998
Expenses	\$ 1,206,278	\$ 2,472,129
Accounts payable	32,603	74,735

In addition, the Foundation pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

The Regina Clinic is leased from the Regina District Health Board for \$1 per year, including a portion of occupancy costs.

The Saskatoon Clinic building owned by the Foundation is situated on land not owned by the Foundation. The Foundation is not charged for the use of this land.

Other amounts and transactions with related parties and the terms of settlement are described separately in these financial statements and notes thereto.

9. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing and certainty of future cash flows.

b) The carrying value of the following financial instruments approximate fair value due to their immediate or short-term nature:

Cash and short-term investments
Accounts receivable
Accounts payable

10. Interfund Transfers

Interfund transfers consist of funds transferred from the Operating, Division of Epidemiology, Prevention and Screening, Research and Trust Funds to the Capital Fund to finance the purchase of capital assets and funds transferred from the Operating Fund to the Research Fund for research activities.

11. Budgets

Schedule 2 compares actual expenditures to Board approved budgeted expenditures for the year ended March 31, 1999.

12. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. While the Foundation is addressing the Year 2000 Issue, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Foundation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

The Foundation has been addressing the Year 2000 issue for some time in an effort to ensure that all aspects of the Year 2000 Issue will be addressed. A Year 2000 Plan is in place and contingency plans are being developed.

Schedule 1

SASKATCHEWAN CANCER FOUNDATION RESEARCH FUND
SCHEDULE OF RESEARCH GRANTS
Year Ended March 31

	<u>1999</u>	<u>1998</u>
Participation in North Central Cancer Treatment Group	\$ 378,440	\$ 312,347
Participation in Children's Cancer Group	175,084	158,783
Research Director Fund, Saskatoon	1,256	2,107
Cell Surface Characteristics of Metastatic Cells in Human Tumors, Saskatoon	56,833	37,823
Novapharm Biotech, Saskatoon	(2,379)	74,079
Molecular basis of B72.3 Combining Sites and Synthesis, Saskatoon	78,019	25,860
Radiation Therapy Oncology Group, Saskatoon	28,929	24,528
Ovarian Cancer in Saskatchewan Patients, Saskatoon	5,348	22,675
Identification of p85 SH2 Binding Proteins, Saskatoon	60,596	45,512
C-Src and Colon Cancer, Saskatoon	10,048	---
Genomic Instability	4,263	---
Prostate Patient Immobilization	<u>13,328</u>	<u>---</u>
Total	809,765	703,714
Less capital expenditures	<u>(5,382)</u>	<u>---</u>
	<u>\$ 804,383</u>	<u>\$ 703,714</u>

Schedule 2

SASKATCHEWAN CANCER FOUNDATION
COMPARISON OF BUDGET TO ACTUAL
Year Ended March 31, 1999

	Operating Fund		Division of Epidemiology, Prevention & Screening	
	Actual	Budget	Actual	Budget
Revenue:				
Funding from the Department of Health				
- General Revenue Fund	\$25,298,764	\$25,343,105	\$ 2,446,440	\$ 2,446,435
Other income	760,843	545,295	117,208	63,000
	<u>26,059,607</u>	<u>25,888,400</u>	<u>2,563,648</u>	<u>2,509,435</u>
Expenditures:				
Salaries & employee benefits	14,212,329	14,656,644	1,535,691	1,755,103
Medical services	---	---	---	---
Drugs and medical supplies	6,323,992	7,921,927	---	---
Purchased services	1,317,431	1,736,570	---	---
Other operating expenditures	2,620,229	2,373,259	870,521	1,057,972
	<u>24,473,981</u>	<u>26,688,400</u>	<u>2,406,212</u>	<u>2,813,075</u>
	1,585,626	(800,000)	157,436	(303,640)
Investment income	576,699	450,000	162,676	---
Less investment income projects	---	---	---	---
Excess (deficiency) of revenue over expenditure	<u>\$ 2,162,325</u>	<u>\$ (350,000)</u>	<u>\$ 320,112</u>	<u>\$ (303,640)</u>

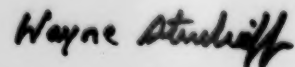
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Saskatchewan Centre of the Arts Fund as at March 31, 1999 and the statements of operations and changes in fund balances, and cash flows for the year then ended. The Centre's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
May 3, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

SASKATCHEWAN CENTRE OF THE ARTS FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

	1999			1998	
	General Fund	Campaign Fund	Impresario Fund	Total	Total
ASSETS					
Current:					
Cash (Note 3)	\$ (180,799)	\$ 411,681	\$ 139,852	\$ 370,734	\$ 149,834
Accounts receivable (Note 3)	286,560	—	—	286,560	328,837
Inventory	<u>50,296</u>	<u>—</u>	<u>—</u>	<u>50,296</u>	<u>61,272</u>
	156,057	411,681	139,852	707,590	539,943
Capital assets (Note 4)	<u>38,554</u>	<u>8,794</u>	<u>—</u>	<u>47,348</u>	<u>85,056</u>
	<u><u>\$ 194,611</u></u>	<u><u>\$ 420,475</u></u>	<u><u>\$ 139,852</u></u>	<u><u>\$ 754,938</u></u>	<u><u>\$ 624,999</u></u>
LIABILITIES AND FUND BALANCES					
Current:					
Accounts payable and accrued charges (Note 3)	\$ 277,639	\$ —	\$ —	\$ 277,639	\$ 502,102
Advance sales and deposits (Note 3)	699,998	—	—	699,998	566,851
Current portion of obligation under capital leases	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,817</u>
	<u>977,637</u>	<u>—</u>	<u>—</u>	<u>977,637</u>	<u>1,073,770</u>
Fund balances:					
Invested in capital assets	38,554	8,794	—	47,348	85,056
Externally restricted	—	351,682	—	351,682	181,672
Internally restricted (Note 9)	—	59,999	139,852	199,851	182,757
Unrestricted	<u>(821,580)</u>	<u>—</u>	<u>—</u>	<u>(821,580)</u>	<u>(898,256)</u>
Total Fund balances (Statement 2)	<u>(783,026)</u>	<u>420,475</u>	<u>139,852</u>	<u>(222,699)</u>	<u>(448,771)</u>
	<u><u>\$ 194,611</u></u>	<u><u>\$ 420,475</u></u>	<u><u>\$ 139,852</u></u>	<u><u>\$ 754,938</u></u>	<u><u>\$ 624,999</u></u>

(See accompanying notes to the financial statements)

Statement 2

SASKATCHEWAN CENTRE OF THE ARTS FUND
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
For the Year Ended March 31

	Unrestricted Funds				Impresario Fund		Total		Restricted (Note 8)	
	General Fund		1998		1999	1998	1999	1998	1999	Campaign Fund
	Budget (Note 6)	Actual	1998	Actual	1999	1998	1999	1998	1999	1998
Revenues (Schedule 1)			\$ 2,779,000	\$ 2,970,631	\$ --	\$ --	\$ 2,902,996	\$ 2,970,631	\$ --	\$ --
Cost of sales (Schedule 1)	1,621,589	1,764,210		1,872,984	--	--	1,764,210	1,872,984	--	--
Gross profit (Schedule 1)	1,157,411	1,138,786		1,097,647	--	--	1,138,786	1,097,647	--	--
Donations	--	--		--	--	--	--	--	183,201	161,672
Total revenues	1,157,411	1,138,786		1,097,647	--	--	1,138,786	1,097,647	183,201	161,672
Expenses:										
Salaries and benefits	926,744	966,219		968,626	--	--	966,219	968,626	--	--
Utilities	336,000	320,370		320,031	--	--	320,370	320,031	--	--
Amortization	100,000	58,186		115,213	--	--	58,186	115,213	4,397	--
General and administration	164,200	171,743		151,687	--	--	171,743	151,687	--	--
Total expenses	1,526,944	1,516,518		1,555,557	--	--	1,516,518	1,555,557	4,397	--
(Deficiency) excess of revenues over expenses before grant	(369,533)	(377,732)		(457,910)			(377,732)	(457,910)	178,804	161,672
Grant from the General Revenue Fund	425,000	425,000		425,000	--	--	425,000	425,000	--	--
Excess (deficiency) of revenues over expenses	\$ 55,467	47,268		(32,910)			47,268	(32,910)	178,804	161,672
Fund balances, beginning of year										20,000
Interfund transfers (Note 9)									241,671	59,999
Fund balances, end of year (Statement 1)									\$ 420,475	\$ 241,671

(See accompanying notes to the financial statements)

Statement 3

**SASKATCHEWAN CENTRE OF THE ARTS FUND
STATEMENT OF CASH FLOWS
As at March 31**

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Excess (deficiency) of revenues over (expenses) in General Fund (Statement 2)	\$ 47,268	\$ (32,910)
Items not affecting cash:		
Amortization in General Fund	58,186	115,213
Change in non-cash working capital:		
Decrease in accounts receivable	42,277	83,863
Decrease (increase) in inventory	10,976	(3,227)
(Decrease) increase in accounts payable and accrued charges	(224,463)	118,448
Increase (decrease) in advance sales and deposits	<u>133,147</u>	<u>(212,308)</u>
Cash flows from operating activities	<u>67,391</u>	<u>69,079</u>
Cash flows (used in) investing activities:		
Purchase of capital assets	<u>(24,875)</u>	<u>(79,183)</u>
Cash flows from financing activities:		
Principal payments under capital lease obligations	(4817)	(6339)
Donations	<u>183,201</u>	<u>161,672</u>
Cash flows from financing activities	<u>178,384</u>	<u>155,333</u>
Net increase in cash	220,900	145,229
Cash, beginning of year	<u>149,834</u>	<u>4,605</u>
Cash, end of year	<u><u>\$ 370,734</u></u>	<u><u>\$ 149,834</u></u>

(See accompanying notes to the financial statements)

**SASKATCHEWAN CENTRE OF THE ARTS FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Status of Centre

The Board of the Saskatchewan Centre of the Arts was established by *The Saskatchewan Centre of the Arts Act*, to maintain, operate and manage the Saskatchewan Centre of the Arts in Regina. The Act also established the Saskatchewan Centre of the Arts Fund through which all financial transactions are conducted which relate to accomplishing the purposes of the Act.

The activities of the Saskatchewan Centre of the Arts are dependent on funding from the General Revenue Fund.

2. Significant Accounting Policies

These financial statements have been prepared using generally accepted accounting principles for not-for-profit organizations. The Saskatchewan Centre of the Arts Fund follows the restricted fund method of accounting for contributions. The Saskatchewan Centre of the Arts Fund (Fund) is comprised of three funds; two of which are unrestricted in nature while the other is subject to external restrictions.

The General Fund accounts for the organization's operating activities. This fund reports unrestricted resources and holds the Centre's administrative capital assets.

The Impresario Fund is an internal appropriation of funds to be used for supporting and promoting the arts. This fund has no external restrictions.

The Campaign Fund reports assets, liabilities, revenues and expenses related to the Centre's campaign to raise funds to begin to address replacement of its programming equipment and the rejuvenation of the overall appearance of the Centre. The Campaign Fund reports resources contributed to this capital asset campaign.

The following accounting policies are considered to be significant:

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Revenue Recognition

For the General Fund, revenue is recognized at the date of the performance and is recorded net of payments to promoters.

Donations externally restricted to the Campaign Fund are recorded as revenue when collection is certain.

c) Grant from the General Revenue Fund

The grant provided from the General Revenue Fund through the Department of Municipal Affairs, Culture and Housing is accrued in the current year if the necessary order in council authority is in place prior to the year end.

d) Capital Assets

Capital assets are recorded at cost. Amortization is provided for using the straight-line method over the expected useful life (ranges from 3 to 5 years) of the capital asset. The Centre capitalizes capital assets costing more than \$1,000. Capital assets costing less than \$1,000 are expensed in the year of acquisition.

Amortization is recorded in the fund where the related capital assets reside.

e) Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first in, first out basis.

f) Cash

Cash consists of balances with the bank.

3. Financial Instruments

The Centre's financial instruments include cash, accounts receivable, accounts payable and accrued charges, and advance sales and deposits. These items have a fair value that approximates their carrying value due to the immediate or short-term nature of these financial instruments.

4. Capital Assets

a) General Fund

	1999		1998
	Cost	Accumulated Amortization	Net Book Value
Equipment	<u>\$ 2,211,669</u>	<u>\$ 2,173,115</u>	<u>\$ 38,554</u>
			<u>\$ 85,056</u>

b) Campaign Fund

	1999		1998
	Cost	Accumulated Amortization	Net Book Value
Equipment	<u>\$ 13,191</u>	<u>\$ 4,397</u>	<u>\$ 8,794</u>
			<u>\$ ---</u>

5. Building and Site

The building and site have been leased by the Saskatchewan Property Management Corporation (SPMC) to the Saskatchewan Centre of the Arts for an annual rental of one dollar. The terms of the lease provide for the Centre to keep the building, and all other property contained therein, in good repair and condition with the provision that any major maintenance, renovations and construction project costing in excess of \$5,000 shall be the responsibility of SPMC. In addition, SPMC is responsible for charges by the Wascana Centre for services to the site and building as stipulated under *The Wascana Centre Act*.

6. Budget

These amounts represent the budget approved by the Centre's Board of Directors on April 22, 1998.

7. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Centre by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled on normal trade terms. The following table summarizes the significant routine related party transactions for the year:

		<u>1999</u>	<u>1998</u>
Utilities	\$	384,541	\$ 364,361
Employee benefits		130,051	121,224
Revenues		237,523	257,758

Other transactions and amounts due to and from related parties are described separately in the financial statements and the notes thereto.

In addition, the Centre pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

8. Externally Restricted Funds

In 1996, the Centre launched the Campaign Fund to raise funds to begin to address replacement of its capital assets including programming equipment and rejuvenation of the overall appearance of the Centre. The Campaign Fund has raised \$ 364,873 to date from external sources. Capital assets of \$13,191 have been purchased with these funds; therefore \$351,682 remains available to acquire capital assets for the campaign fund.

9. Interfund Transfers and Internally Restricted Funds

The Board internally restricts funds for specific purposes. During 1998/99, the Board transferred \$17,094 from the General to the Impresario Fund. In 1997/98, the Board transferred \$114,351 previously restricted for impresario purposes into the General and Campaign Funds. Internally restricted amounts are not available for other purposes without approval of the Board of Directors.

10. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than that date. The effects of the Year 2000 Issue may be experienced before, on, or

after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

11. Comparative Information

Certain comparative figures have been reclassified to conform with the current year's presentation.

Schedule 1

SASKATCHEWAN CENTRE OF THE ARTS FUND
SCHEDULE OF REVENUE AND COST OF SALES FOR THE GENERAL FUND
For the Year Ended March 31

	<u>1999</u>		<u>1998</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 6)		
Revenue:			
Catering	\$ 850,000	\$ 1,002,405	\$ 900,079
Service charges	771,000	746,274	779,445
Rentals	398,000	396,264	401,995
Refreshment bar	327,000	415,226	417,330
Centre presents sales (Impresario)	—	—	1,644
Commissions	190,000	131,929	205,659
Office rental	50,000	61,408	76,477
Car park	60,000	24,583	58,234
Sundry	57,000	58,107	41,513
Seat surcharge	49,000	30,285	60,018
Coat check	19,000	16,203	22,170
Investment Income	<u>8,000</u>	<u>20,312</u>	<u>6,067</u>
Total revenue (Statement 2)	<u>2,779,000</u>	<u>2,902,996</u>	<u>2,970,631</u>
Cost of sales:			
Salaries and benefits	828,644	864,468	793,562
Food and beverages	412,920	515,525	455,704
Supplies, services and maintenance	278,875	256,878	308,683
Centre presents talent fees (Impresario)	10,000	13,190	176,014
Other	<u>91,150</u>	<u>114,149</u>	<u>139,021</u>
Total cost of sales (Statement 2)	<u>1,621,589</u>	<u>1,764,210</u>	<u>1,872,984</u>
Gross profit (Statement 2)	<u>\$ 1,157,411</u>	<u>\$ 1,138,786</u>	<u>\$ 1,097,647</u>

SIPA

Saskatchewan Irrigation Projects Association

Auditor's Report

To the Members
Saskatchewan Irrigation Projects Association

I have examined the statement of financial position of the Saskatchewan Irrigation Projects Association as at March 31, 1999 and the statement of operations for the year then ended. These financial statements are the responsibility of the Associations' management. Our responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. We have performed such tests as I deemed necessary to provide evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Central Butte, Saskatchewan
January, 2000

Charlene Nelson
Charlene Nelson, Accountant

Irrigation Makes Saskatchewan Grow!

Saskatchewan Irrigation Projects Association

Statement of Financial Position As at March 31, 1999

ASSETS

Current Assets	1999	1998
Cash	22401	17746
Accounts receivable	11	413
	<u>22412</u>	<u>18159</u>

LIABILITIES AND SURPLUS

Current Liabilities		
Accounts payable	7601	195
Surplus	<u>14744</u>	<u>17964</u>
	<u>22345</u>	<u>18159</u>

STATEMENT OF OPERATIONS For the period ended March 31, 1999

	1999	1998
Income		
Membership fees - full (note 1)	4365	5310
Membership fees - associate	200	700
Donations and Grants (note 2)	5000	25864
Annual conference - registration	1060	1445
Annual conference - sponsors	775	763
Annual conference - display	375	750
Promotions	18	36
	<u>11793</u>	<u>34868</u>
Expenses		
Administration	3066	2385
Administration - phone	779	1212
Conference	2113	3714
Meeting - mileage	3923	5267
Meeting - per diems	4365	4905
Meeting - expenditures	767	689
Promotion - signage		194
Promotion		575
Conference attendance		328
	<u>15013</u>	<u>19269</u>
Surplus for the period	-3220	15599
Surplus beginning of period	<u>17964</u>	<u>2365</u>
Surplus, end of year	<u>14744</u>	<u>17964</u>

James Hanning Sandra Berghate

SIPA

Saskatchewan Irrigation Projects Association

Notes to the Financial Statements

March 31, 1999

1. Memberships

All memberships are on a voluntary basis.

a) Full membership, according to the bylaws, is restricted to provincial and federal irrigation districts. each member Irrigation District is entitled to one votinh delegate per 5,000 irrigated acre or part thereof.

b) Associated memberships shall be granted at the discretion of the Board to individual irrigators, private corporations who have an interst in irrigation acitivities and other third parties who wic=sh to participate in SIPA.

2. Donations and Grants

Included in Grants and donations in 1998 is a grant of \$20,000 from Sask Water Corporation of which a minimum of %5000 shall be spent by SIPA on pormoting irrigation in Saskatchewan through an effective communication strategy. the term of the agreement shall be from January 1, 1997 to December 31, 2002.

AUDITOR'S REPORT

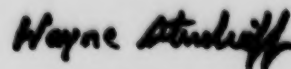
To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of The Saskatchewan Legal Aid Commission as at March 31, 1999 and the statement of operations and changes in net assets, and cash flows for the year then ended. The Commission's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
May 21, 1999



Wayne Strelieff, CA
Provincial Auditor

Statement 1

THE SASKATCHEWAN LEGAL AID COMMISSION
STATEMENT OF FINANCIAL POSITION
As at March 31

	<u>1999</u>	<u>1998</u>
ASSETS		
Current		
Cash	\$ 631,122	\$ 423,013
Accounts receivable	14,670	79,817
Prepaid expense	<u>93,038</u>	<u>93,449</u>
Total current assets	738,830	596,279
Capital assets (Note 4)	<u>385,484</u>	<u>433,097</u>
	<u><u>\$ 1,124,314</u></u>	<u><u>\$ 1,029,376</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	<u>\$ 889,902</u>	<u>\$ 589,098</u>
NET ASSETS		
Investment in capital assets fund	385,484	433,097
Unrestricted	<u>(151,072)</u>	<u>7,181</u>
	<u>234,412</u>	<u>440,278</u>
	<u><u>\$ 1,124,314</u></u>	<u><u>\$ 1,029,376</u></u>

(See accompanying notes to the financial statements)

Statement 2

THE SASKATCHEWAN LEGAL AID COMMISSION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year Ended March 31

	1999			1998	
	Operating Fund Budget	Operating Fund Actual	Investment in Capital Assets Fund Actual	Total	Total
Revenue: (Note 2)					
Department of Justice	\$ 9,825,000	\$ 9,825,000	\$ ---	\$ 9,825,000	\$ 9,432,000
Other	<u>96,018</u>	<u>128,010</u>	<u>---</u>	<u>128,010</u>	<u>101,662</u>
	<u>9,921,018</u>	<u>9,953,010</u>	<u>---</u>	<u>9,953,010</u>	<u>9,533,662</u>
Expenses:					
Salaries and employee benefits	7,043,075	7,271,515	---	7,271,515	6,837,021
Central Office administrative (Schedule 1)	315,722	270,135	48,770	318,905	251,696
Area Office administrative and operating expenses (Schedule 1)	1,105,188	1,119,806	169,053	1,288,859	1,212,829
Provision of legal services	821,728	783,203	---	783,203	746,401
Other legal expenses	176,750	159,632	---	159,632	187,080
Travel	340,846	336,486	---	336,486	332,194
Loss on disposal of capital assets	<u>---</u>	<u>---</u>	<u>276</u>	<u>276</u>	<u>3,534</u>
	<u>9,803,309</u>	<u>9,940,777</u>	<u>218,099</u>	<u>10,158,876</u>	<u>9,570,755</u>
Excess (deficiency) of revenue over expenses	117,709	12,233	(218,099)	(205,866)	(37,093)
Fund Balances, beginning of year	7,181	7,181	433,097	440,278	477,371
Transfer between funds	<u>(124,890)</u>	<u>(170,486)</u>	<u>170,486</u>	<u>---</u>	<u>---</u>
Fund Balances, end of year	<u>\$ ---</u>	<u>\$ (151,072)</u>	<u>\$ 385,484</u>	<u>\$ 234,412</u>	<u>\$ 440,278</u>

(See accompanying notes to the financial statements)

Statement 3

THE SASKATCHEWAN LEGAL AID COMMISSION
CASH FLOW STATEMENT
 As at March 31

	<u>1999</u>	<u>1998</u>
Cash provided by (used in)		
OPERATING ACTIVITIES		
Excess of revenue over expenses		
Operating Fund (Statement 2)	\$ 12,233	\$ 158,234
Net change in non-cash working capital (note 6)	<u>366,362</u>	<u>129,531</u>
Net cash provided by operating activities	378,595	287,765
INVESTING ACTIVITIES		
Capital asset purchases	<u>(170,486)</u>	<u>(185,273)</u>
Net increase in cash	208,109	102,492
Cash, beginning of year	<u>423,013</u>	<u>320,521</u>
Cash, end of year	<u><u>\$ 631,122</u></u>	<u><u>\$ 423,013</u></u>

(See accompanying notes to the financial statements)

**THE SASKATCHEWAN LEGAL AID COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

The Legal Aid Act came into force on September 1, 1983 by Order in Council 1275/83 and continued The Saskatchewan Community Legal Services Commission as a body corporate under the name of The Saskatchewan Legal Aid Commission. The purpose of the Commission is to provide legal services in criminal and civil proceedings on matters to persons and organizations financially unable to secure those services from their own resources.

1. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

a) Fund Accounting

The Commission follows the restricted fund method of accounting for contributions. For financial reporting purposes, the following major funding groups are:

Operating Fund (unrestricted assets)

The Operating Fund reflects the primary operations of the Commission including revenue from the Department of Justice for the provision of legal services and other revenue.

Investment in Capital Assets Fund (restricted assets)

Investment in Capital Assets Fund reflects the equity of the Commission in capital assets. This fund includes any grants designated for the acquisitions of capital assets. The Commission would also impose a restriction that any capital purchases made with operating funds would be recorded as an interfund transfer. Expenses consist primarily of amortization of capital assets.

b) **Capital Assets**

Capital assets are recorded at cost. Normal repairs and maintenance are expensed as incurred. The capital assets are reduced annually by an amount representing the consumed cost of the asset calculated as follows:

Office Equipment and Furniture	14 2/7 % per annum
Library	33 1/3 % per annum

2. **Revenues**

The following are included in revenue:

- a) Unrestricted contributions are recognized as revenue of the operating fund in the year received or receivable.

Other revenue is comprised of client contributions, cost recoveries, interest and miscellaneous receipts.

Any unexpended funds remaining from the legislative appropriation (Department of Justice revenue) for a fiscal year must be returned to the Department of Justice unless authorized by Treasury Board.

- b) Restricted contributions related to capital assets are recognized as revenue of the investment in capital assets fund in the year received or receivable.

3. **Pension Plan**

The Commission participates in a defined contribution pension plan for the benefit of its employees. The Commission's financial obligation to The Staff Pension Plan for Employees of The Saskatchewan Legal Aid Commission (Plan) is limited to making regular payments to match the amounts contributed by the employees for current service. The Commission's annual pension expense for 1999 amounted to \$327,677 (1998 - \$327,231).

The Plan is administered and sponsored by a joint trustees arrangement. The joint trustees consist of four members, two appointed by the Commission and two appointed by C.U.P.E. Local 1949. Day-to-day administration is provided by the Commission for the Trustees without charge to the Plan. The administration expenses of the Plan are initially paid by the Commission and are subsequently refunded by the Plan. As at March 31, 1999, the Plan owed the Commission \$5,784 (1998 - \$ 9,306).

4. Capital Assets

Capital assets are comprised of the following amounts:

	1999			1998		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment and furniture	\$1,024,882	\$ 713,711	\$311,171	\$ 993,048	\$ 626,914	\$ 366,134
Library	1,018,695	944,382	74,313	977,716	910,753	66,963
	<u>\$2,043,577</u>	<u>\$1,658,093</u>	<u>\$385,484</u>	<u>\$1,970,764</u>	<u>\$ 1,537,667</u>	<u>\$ 433,097</u>

5. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, departments, agencies, boards and commissions related to the Commission by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Facilities, vehicle rentals, office supplies, and miscellaneous office services are acquired from a related party. These transactions are recorded at rates which are determined primarily on the basis of recovery of the costs incurred by the related party. These transactions and amounts outstanding at year end are as follows:

	1999	1998
Expenses	\$ 838,036	\$ 813,641
Accounts payable	16,516	16,794
Accounts receivable	—	51,066

Other operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

	1999	1998
Expenses	\$371,489	\$ 305,703
Accounts payable	579	7,363

In addition, the Commission pays Saskatchewan Education and Health Tax on all its taxable purchases. The Commission also received transcripts without charge from the Department of Justice, Transcript Services.

During the year, the Commission made a payment in the amount of \$21,155 (1998 - \$17,790) to the Saskatchewan Legal Aid Commission Benefit Plan Surplus Fund. The intent of this fund is to cover increased premium costs of the extended health care benefits for members of C.U.P.E. Local 1949 in accordance with the Collective Bargaining Agreement. The increased premium costs are initially paid by the Commission and for 1999 the Fund reimbursed the Commission \$20,888 (1998 - \$15,196) for the increased premium costs.

Other transactions with related parties and amounts due to or from them are described separately in these financial statements and the notes thereto.

6. Net Change in Non-Cash Working Capital Balances Related to Operations

	1999	1998
Decrease (increase) in accounts receivable	\$ 65,147	\$ (41,549)
Decrease (increase) in prepaid expenses	411	(3,726)
Increase in accounts payable and accrued liabilities	<u>300,804</u>	<u>174,806</u>
Net change in non-cash working capital balances related to operations	<u>\$ 366,362</u>	<u>\$ 129,531</u>

7. Financial Instruments

Financial instruments consist of:

Cash
Accounts receivable
Accounts payable

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments that may affect the amount, timing and certainty of future cash flows.

b) The carrying value of the financial instruments approximate fair value due to their immediate or short-term nature.

8. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computer systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999

to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of clients, suppliers, or other third parties, will be fully resolved.

9. Measurement Uncertainty

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of accounts payable and accrued liabilities at the date of the financial statements and the reported amount of expenses during the reported period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

10. Budget

These amounts represent the budget approved by members of The Saskatchewan Legal Aid Commission.

Schedule 1

THE SASKATCHEWAN LEGAL AID COMMISSION
SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES
Year Ended March 31

	<u>1999</u>		<u>1998</u>
		Operating Fund	Operating Fund
Central Office Administrative	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Leased accommodation	\$ 115,296	\$ 104,794	\$ 58,307
Telephone	21,600	20,718	20,322
Computer Maintenance and Support	33,180	43,724	35,707
Postage	7,200	7,697	7,404
Stationery and office supplies	13,150	10,442	7,618
Periodicals	3,848	3,253	3,428
Photocopying	5,018	3,581	4,219
Other operating expenses	<u>116,430</u>	<u>75,926</u>	<u>80,973</u>
Total Central Office Administrative	<u>\$ 315,722</u>	<u>\$ 270,135</u>	<u>\$ 217,978</u>
Area Office Administrative and Operating Expenses			
Leased accommodation	\$ 585,268	\$ 598,748	\$ 572,888
Telephone	178,400	164,131	168,069
Computer Maintenance and Support	96,536	95,214	60,519
Postage	36,800	31,040	31,448
Stationery and office supplies	60,850	71,195	65,279
Periodicals	54,152	51,386	53,430
Photocopying	41,982	37,456	37,763
Other operating expenses	<u>51,200</u>	<u>70,636</u>	<u>65,358</u>
Total Area Office Administrative and Operating Expenses	<u>\$ 1,105,188</u>	<u>\$ 1,119,806</u>	<u>\$ 1,054,754</u>



KPMG LLP
Chartered Accountants

AUDITORS' REPORT

We have audited the balance sheet of Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation as at March 31, 1999 and the statements of restricted fund balances and financial activities for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada
May 11, 1999



Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

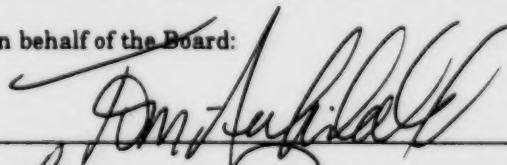
Balance Sheet

March 31, 1999 with comparative figures for 1998

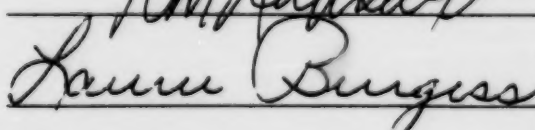
	1999	1998
Assets		
Current assets:		
Cash	\$ 1,602,991	\$ 1,793,363
Accrued interest receivable	197,751	167,527
Accounts receivable	2,204	1,439
Due from Western Canada Lottery - Saskatchewan Division Inc.	6,957,517	8,614,541
Prepaid expenses	-	1,861
	8,760,463	10,578,731
Investments (note 3)	15,721,726	8,158,504
	\$ 24,482,189	\$ 18,737,235
Liabilities and Restricted Fund Balances		
Current liabilities:		
Accounts payable	\$ 978,432	\$ 2,878
Grants payable (note 4)	9,687,626	8,894,191
	10,666,058	8,897,072
Restricted fund balances: (note 1)		
Canada Games Program	2,000,000	-
Community Grant Program	715,768	705,582
Culture	3,839,246	2,287,622
Recreation	1,966,747	1,333,316
Sport	5,294,370	5,513,643
	13,816,131	9,840,163
	\$ 24,482,189	\$ 18,737,235

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Statement of Restricted Fund Balances

Year ended March 31, 1999 with comparative figures for 1998

	Canada Games Community			Restricted		1999		1998	
	Program	Grant	Culture	Recreation	Sport	Total		Total	
Fund balance, beginning of year	\$ -	\$ 705,582	\$ 2,287,622	\$ 1,333,316	\$ 5,513,643	\$ 9,840,163	\$	7,072,866	\$
Transfers between funds	-	(250,000)	87,500	37,500	125,000	-	-	-	-
	-	455,582	2,375,122	1,370,816	5,638,643	9,840,163		7,072,866	
Allocation of funds available for granting	2,000,000	4,570,000	8,054,200	3,451,799	9,506,000	27,581,999		24,950,421	
Grants approved	-	(4,309,814)	(6,590,076)	(2,855,868)	(9,850,273)	(23,606,031)		(22,183,124)	
Increase (decrease) in fund balance	2,000,000	260,186	1,464,124	595,931	(344,273)	3,975,968		2,767,297	
Fund balance, end of year	\$ 2,000,000	\$ 715,768	\$ 3,839,246	\$ 1,966,747	\$ 5,294,370	\$ 13,816,131	\$	9,840,163	\$

See accompanying notes to financial statements.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Statement of Financial Activities

Year ended March 31, 1999 with comparative figures for 1998

	1999	Budget 1999	1998
Transfer of net lottery profits from Western Canada Lottery - Saskatchewan Division Inc. (Schedule 1)	\$ 44,864,195	\$ 40,901,125	\$ 41,506,671
Directed payments: (note 5)			
Federal payment	1,791,719	1,832,100	1,788,248
Former distributors	1,501,200	1,600,000	1,466,136
Payment to the General Revenue Fund	13,977,382	13,228,930	13,000,000
Saskatchewan Exhibition Association	310,000	310,000	310,000
	17,580,301	16,971,030	16,564,384
Lottery profits after directed payments	27,283,894	23,930,095	24,942,287
Interest income	700,177	445,000	387,912
Administration expenses (Schedule 2)	402,072	441,320	379,778
Funds available for granting	27,581,999	23,933,775	24,950,421
Grants approved	23,606,031	23,950,000	22,183,124
Increase(decrease) in fund balance	\$ 3,975,968	\$ (16,225)	\$ 2,767,297

See accompanying notes to financial statements.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Notes to Financial Statements

March 31, 1999

1. Nature of operations:

Under the terms of the lottery agreement with the Minister of Municipal Affairs, Culture and Housing for the Province of Saskatchewan, Sask Sport Inc. has been designated as the provincial marketing organization to sell Western Canada Lottery Corporation lottery tickets in Saskatchewan. Sask Sport Inc. has established the Western Canada Lottery - Saskatchewan Division Inc. to market, and Sask Sport Distributors Inc. to distribute these tickets on its behalf.

The net lottery profits are transferred to the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (the Trust) and are detailed in Schedule 1 to these financial statements. The agreement requires that the Trust shall distribute the net profits to eligible organizations designated by the Province of Saskatchewan. These net profits are distributed 50% to sport, 35% to culture and 15% to recreation groups. Each section contributes funds to the Saskatchewan Lotteries Community Grant Program in the same percentage as above. The sport section alone contributed funds to the Canada Games Program.

This lottery agreement also requires Sask Sport Inc., as designated provincial marketing organization for lottery tickets, to pay out of the Trust directed payments as described in note 5.

2. Significant accounting policies:

Investments:

Investments are valued at cost, less any provisions for permanent impairment in value.

Grants:

Grants are recognized by the Trust when a completed grant application is received from an eligible organization, the application is approved by the Trust and all criteria have been met by the applicant.

Measurement uncertainty:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Notes to Financial Statements March 31, 1999

3. Investments:

Investments at March 31, 1999 consist of:

	1999		1998	
	Carrying Amount	Market Value	Carrying Amount	Market Value
Guaranteed Investment Certificates and Bankers Acceptances	\$13,922,626	\$13,945,190	\$6,359,404	\$6,375,950
Province of Saskatchewan Bonds	1,799,100	1,873,938	1,799,100	1,864,983
	\$15,721,726	\$15,819,128	\$8,158,504	\$8,240,933

Guaranteed investment certificates and bankers acceptances mature between April 26, 1999 and February 13, 2000 (1998 – April 2, 1998 and February 18, 2000) and have effective interest rates ranging from 4.41% to 6.00% (1998 – 3.70% to 5.05%). Province of Saskatchewan bonds mature between July 15, 1999 and July 15, 2003 (1998 – July 15, 1999 and July 15, 2002) and bear interest ranging from 5.00% to 8.00% (1998 – 4.00% to 8.00%).

4. Grants payable:

	1999	1998
Sport	\$ 3,204,114	\$ 2,531,708
Culture	1,417,400	1,216,300
Recreation	858,608	1,137,327
Community Grant Program	4,207,504	4,008,859
	\$ 9,687,626	\$ 8,894,194

5. Directed Payments:

Under the terms of the lottery agreement with the Minister of Municipal Affairs, Culture and Housing for the Province of Saskatchewan the Trust is required to make the following payments to:

- Sask Sport Distributors Inc. to cover the distributor payments made to those volunteer non-profit organizations that previously acted as ticket distributors. This allocation amounted to \$1,501,200 during the current year (1998 - \$1,466,136). Sask Sport Inc., as a former ticket distributor, received \$358,560 during the current year (1998 - \$358,560).
- the Federal Government which, under an agreement dated September 23, 1979 with the Inter-provincial Lottery Corporation, withdrew from the lottery field in exchange for \$24,000,000 annually, in 1979 dollars. Saskatchewan's share of this payment, for the year ended March 31, 1999, was \$1,791,719 (1998- \$1,788,248).
- the Saskatchewan Exhibition Association in the amount of \$310,000 for the current year (1998 - \$310,000).
- the General Revenue Fund of the Province of Saskatchewan a payment of \$13,000,000 or 11% of net lottery ticket sales, whichever is greater. During the current year \$13,977,382 was paid (1998 - \$13,000,000).

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Notes to Financial Statements

March 31, 1999

6. Related party transactions:

Sask Sport Inc., as a sport federation, received a grant from the Trust of \$452,446 during the current year (1998 - \$452,446), to provide programs and services to its member sport organizations. Sask Sport Inc. also received \$18,014 as a fee for providing office equipment for use during the current year (1998-\$14,001).

The Administration Centers for Sport, Culture and Recreation (1989) Inc., a wholly owned subsidiary of Sask Sport Inc., provides office space and administrative services for non-profit sport, culture and recreation associations and received a grant from the Trust of \$328,960 during the current year (1998 - \$328,960). In addition, the Trust paid to the Administration Centers for Sport, Culture and Recreation (1989) Inc. \$33,830 for office space and services (1998 - \$38,415).

These transactions are in the normal course of operations and are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties. Other related party transactions are disclosed separately in these financial statements.

7. Statement of changes in financial position:

A statement of changes in financial position has not been included, as it does not directly provide additional meaningful information.

8. Uncertainty due to the Year 2000 issue:

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Saskatchewan Lotteries Trust Fund For Sport, Culture and Recreation

Schedule 1 - Net Lottery Profits

Year ended March 31, 1999 with comparative figures for 1998

	1999	Budget 1999	1998
Lottery ticket sales	\$ 127,067,106	\$ 120,263,000	\$ 117,651,794
Revenue and expense items paid by the Western Canada Lottery Corporation:			
Prizes	(63,889,969)	(60,853,078)	(57,799,407)
Administration and ticket printing	(8,132,757)	(8,434,626)	(8,694,937)
Retailer commissions	(7,381,372)	(6,944,227)	(6,840,201)
Federal and provincial taxes	(1,217,584)	(1,211,347)	(1,178,638)
Interest income	552,745	450,000	347,211
Lottery profits transferred from the Western Canada Lottery Corporation	46,998,169	43,269,722	43,485,822
Provincial interest and other income	262,299	249,000	243,374
Provincial marketing and distribution expenses (note 1)	(2,396,273)	(2,617,597)	(2,222,525)
Net lottery profits	\$ 44,864,195	\$ 40,901,125	\$ 41,506,671

Schedule 2 - Administration Expenses

Year ended March 31, 1999 with comparative figures for 1998

	1999	Budget 1999	1998
Committee meetings	\$ 3,335	\$ 10,767	\$ 6,265
Equipment expense	18,014	15,628	14,002
Goods and services tax	4,518	5,916	3,998
Insurance	5,760	6,584	5,891
Office supplies	12,954	19,250	11,021
Postage	3,583	6,025	4,371
Printing	5,910	8,000	6,113
Professional fees	73,316	87,850	43,534
Rent	22,578	22,615	26,585
Repairs and maintenance	1,778	1,750	1,278
Salaries and benefits	238,956	245,035	245,708
Telephone	7,386	6,900	6,952
Travel	3,984	5,000	4,060
Total administration expenses	\$ 402,072	\$ 441,320	\$ 379,778

See accompanying notes to financial statements.

Sask. Lotteries Trust Fund**Transfers**

Listed by program, are transfers to recipients who received \$5,000 or more.

Community Grant Program

Aberdeen, Town of.....	\$ 6,231
Agency Chiefs Tribal Council.....	20,000
Allan, Town of.....	5,329
Asquith, Town of.....	7,299
Assiniboia, Town of.....	19,401
Athabasca Regional Recreation Assoc.	34,824
Balcarres, Town of.....	5,477
Baigorie, Town of.....	9,738
Battleford, Town of.....	25,893
Battlefords Tribal Council.....	31,250
Beaver River Regional Recreation Assoc.	33,554
Bethune, Village of.....	5,025
Bienfait, Town of.....	6,490
Big River Band.....	10,471
Big River, Town of.....	8,951
Biggar, Town of.....	19,459
Birch Hills, Town of.....	10,599
Black Lake Band.....	6,693
Broadview, Town of.....	6,584
Bruno, Town of.....	5,785
Buffalo Narrows, Northern Village.....	8,115
Cabri, Town of.....	5,106
Canora, Town of.....	15,377
Canwood, Village of.....	5,361
Carlyle, Town of.....	10,024
Carnduff, Town of.....	8,815
Carleton Place, Village of.....	7,283
Carrot River, Town of.....	12,078
Central Butte, Town of.....	5,514
Churchbridge, Town of.....	7,657
Churchill River @ Stanley Mission	7,430
Clavet, Village of.....	5,918
Clearwater Regional Recreation Assoc.	34,134
Coronach, Town of.....	7,471
Creighton, N. Town.....	10,592
Cudworth, Town of.....	6,960
Cumberland House, Northern Village.....	6,661
Cupar, Town of.....	5,472
Cutknife, Town of.....	5,990
Daimeny, Town of.....	13,134
Davidson, Town of.....	9,847
Debden, Village of.....	5,823
Delisle, Town of.....	10,655
Denare Beach, Northern Village.....	5,220
Duck Lake, Town of.....	8,470
Dundum, Town of.....	5,381
Eastend, Town of.....	6,474
Eatonville, Town of.....	5,945

Eldora, Town of.....	\$ 6,142
Esterhazy, Town of.....	18,159
Estevan, City of.....	46,546
Eston, Town of.....	9,647
File Hills Qu'Appelle Tribal Council.....	31,250
Foam Lake, Town of.....	11,891
Fort Carlton Tribal Council.....	20,000
Fort Qu'Appelle, Town of.....	18,383
Gordon Band.....	5,579
Grand Coulee, Village of.....	6,622
Gravelbourg, Town of.....	9,777
Granville, Town of.....	9,577
Gull Lake, Town of.....	6,845
Hague, Town of.....	8,759
Hatchet Lake Band.....	6,058
Hepburn, Village of.....	5,841
Herbert, Town of.....	8,039
Hudson Bay, Town of.....	11,957
Humboldt, Town of.....	29,825
Ile a la Crosse, Northern Village.....	9,385
Imperial, Town of.....	6,169
Indian Head, Town of.....	12,847
Ituna, Town of.....	7,927
James Smith Cree Nation.....	9,811
Kamsack, Town of.....	16,204
Kawacatoose First Nation.....	7,112
Kelvington, Town of.....	10,229
Kerrobert, Town of.....	9,091
Kindersley, Town of.....	27,000
Kipling, Town of.....	9,049
Kitsaki @ LaRonge.....	11,633
Kyle, Town of.....	6,382
La Loche, Northern Village.....	12,941
La Ronge, Town of.....	17,520
Laird, Village of.....	5,046
Lampman, Town of.....	6,461
Langenburg, Town of.....	7,106
Langham, Town of.....	11,481
Lanigan, Town of.....	9,783
Lashburn, Town of.....	7,518
Leader, Town of.....	6,884
Leask, Village of.....	5,674
Lloydminster, City of.....	32,453
Lumsden, Town of.....	13,812
Luseland, Town of.....	6,113
Macklin, Town of.....	10,701
Maidstone, Town of.....	8,990
Maple Creek, Town of.....	19,720
Marshall, Village of.....	8,937
Martensville, Town of.....	25,878
Meadow Lake Tribal Council.....	31,250
Meadow Lake, Town of.....	36,610
Melfort, City of.....	30,523
Melville, City of.....	24,624
Meota, Village of.....	6,429
Milestone, Town of.....	10,334
Mistawasis First Nation.....	5,817

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Sask. Library Assoc.	\$ 84,300
Sask. Motion Picture Assoc.	291,500
Sask. Music Educators Assoc.	113,800
Sask. Music Festival Assoc.	99,400
Sask. Orchestral Assoc.	51,300
Sask. Organization for Heritage Languages.....	111,500
Sask. Publishers Group.....	64,000
Sask. Recording Industry Assoc.	94,000
Sask. Society for Education through Art.....	72,000
Sask. Writers Guild.....	366,000
SaskCulture.....	1,784,906
Ukrainian Canadian Congress.....	167,800
Wanuskawin Heritage Park.....	100,000
	<u>5,637,706</u>
Less grants returned from prior years	47,630
	<u>\$ 6,590,076</u>

The Recreation Section

Abilities Council.....	\$ 42,244
Air Cadet League - Sask. Provincial Committee...	44,679
Army Cadet League.....	44,000
Assoc. .. of Sask. Urban Parks & Conservation...	31,727
Badlands Regional Recreation Assoc.	31,885
Battleford Regional Recreation Assoc.	31,885
Battlefords Boys & Girls Club.....	25,276
Blackstrap Regional Recreation & Parks Assoc. ..	31,885
Boy Scouts of Canada - Sask. Provincial Council.	44,144
Boys & Girls Club of Yorkton Inc.....	20,600
Boys and Girls Club of Saskatoon.....	34,469
Canadian National Institute of the Blind.....	39,118
Duke of Edinburgh Award.....	37,875
Federation of Sask. Indian Nations.....	16,500
Girl Guides of Canada Sask. Council.....	44,678
Harvest Community of the Prairies Inc.....	28,975
Last Touch Regional Recreation Assoc.	31,885
Life Saving Society.....	44,678
Mental Health Assoc. .. in Sask.....	49,017
Moose Mountain Regional Recreation Assoc.	31,885
N. Central Regional Recreation Assoc.	31,885
N. East Recreation & Parks Assoc.	31,885
Navy League - Sask. Division.....	44,679
Outdoor & Environmental Education Assoc.	21,552
Parkland Regional Recreation Assoc.	31,885
Qu'appelle Valley Recreation Assoc.	31,885
Quill Plains Regional Recreation Assoc.	31,885
Red Cross Society.....	44,679
River Junction Parks & Recreation Assoc.	31,885
Sask Square and Round Dance Federation Inc....	26,897
Sask. Assoc. for Community Living.....	35,035
Sask. Assoc. of Recreation Professionals.....	22,340
Sask. Camping Assoc.	30,900
Sask. Metis Sports, Culture, Recreation & Youth..	17,195
Sask. Parks & Recreation Assoc.	1,016,100
Sask. Physical Education Assoc.	44,679
Sask. Recreation Facility Assoc.	44,678
Sask. Regional Parks Assoc.	36,888
Sask. Wildlife Federation.....	44,678

Seniors Mechanism.....	\$ 155,000
Ski Patrol System-Sask. Division.....	31,788
Snowmobile Assoc.	32,352
South Central Recreation & Parks Assoc.	31,885
South West Recreation Assoc.	31,885
St. John Council for Sask. Properties Inc.....	17,273
Underwater Council Inc.....	34,469
Wheatland Souris Regional Recreation Assoc.	7,971
Wild Goose Regional Recreation Assoc.	31,885
Youth Unlimited of Regina.....	74,067
Zone 1 - Southeast Sask. Sport Council.....	95,655
	<u>2,873,245</u>
Less grants returned from prior years	17,377
	<u>\$ 2,855,868</u>

The Sports Section

Admin. Centre for Sport, Culture, and Rec. ...	\$ 195,000
Basketball Sask. Inc.....	238,379
Bowling Federation of Sask.....	151,758
Bowls Sask. Inc.....	76,915
Canadian Ladies Golf Assoc. - Sask Division.	65,282
Coaches Assoc. Of Sask.....	78,103
Federation of Sask. Indian Nations.....	55,000
Football Sask.....	203,657
Gymnastics Sask. Inc.....	213,873
Horseshoe Sask. Inc.....	36,963
Judo Sask.....	90,706
Ringette Assoc. of Sask.....	113,346
Sask Sport Inc.....	599,946
Sask. Amateur Boxing Assoc.	57,374
Sask. Amateur Hockey Assoc.	333,629
Sask. Amateur Speed Skating Assoc.	119,684
Sask. Amateur Trapshooting Assoc.	47,739
Sask. Amateur Wrestling Assoc.	162,589
Sask. Archery Assoc.	70,995
Sask. Athletics.....	289,157
Sask. Badminton Assoc.	120,507
Sask. Baseball Assoc.	220,951
Sask. Baton Twirling Assoc.	58,720
Sask. Blind Sports Assoc.	31,314
Sask. Broomball Assoc.	95,930
Sask. Canoe Assoc.	125,160
Sask. Combative Arts Assoc.	15,977
Sask. Curling Assoc.	244,834
Sask. Cycling Assoc.	115,996
Sask. Darts Assoc. Inc.....	31,738
Sask. Deaf Sports Assoc.	24,778
Sask. Diving Assoc.	94,763
Sask. Fencing Assoc.	73,537
Sask. Field Hockey Assoc.	74,945
Sask. Figure Skating Assoc.	182,306
Sask. Games Council.....	425,000
Sask. Golf Assoc.	104,017
Sask. Handball Assoc.	33,262
Sask. Handgun Assoc.	39,096
Sask. High School Athletics Assoc.	208,856
Sask. Horse Federation Inc.....	199,270

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Sask. Karate Assoc.	87,736
Sask. Lacrosse Assoc.	97,392
Sask. Metis Sports, Culture, Recreation & Youth..	35,000
Sask. Provincial Rifle Assoc.	42,998
Sask. Provincial Small Bore Assoc.	34,959
Sask. Racquetball Assoc.	70,860
Sask. Rhythmic Sportive Gymnastics.....	65,925
Sask. Rowing Assoc.	113,524
Sask. Rugby Union Inc.....	131,035
Sask. Sailing Clubs Assoc.	74,512
Sask. Skeet Shooting Assoc.	42,907
Sask. Ski Assoc.	272,557
Sask. Soccer Assoc.	282,921
Sask. Special Olympics Society Inc.....	106,497
Sask. Sports Hall of Fame.....	228,519
Sask. Squash Inc.....	77,129
Sask. Table Tennis Assoc.	96,444
Sask. TaeKwon-Do Inc.....	91,018
Sask. Team Handball Federation.....	79,963
Sask. Tennis Assoc.	124,559
Sask. Triathlon Assoc.	29,279
Sask. Volleyball Assoc.	242,421
Sask. Water Ski Assoc.	86,553
Sask. Weightlifting Assoc.	52,195
Sask. Wheelchair Sports Assoc.	45,537
Soaring Assoc. of Sask.....	29,210
Softball Sask.	257,838
Sport Medicine Council of Sask.....	306,989
Sport Parachute Assoc. of Sask. Inc.....	21,582
Swim Sask. Inc.....	169,328
Synchro Sask.....	136,681
Water Polo Sask.	100,370
Zone 1 - Southeast Sask. Sport Council.....	48,313
Zone 2 - Regina Sport Council.....	118,313
Zone 3 Sport Council.....	48,313
Zone 4 Sport Council.....	48,313
Zone 5 Central Sask. Sport Council.....	48,313
Zone 6 Saskatoon Sport Council.....	118,313
Zone 7 Sport Council.....	48,313
Zone 8 Sport Council.....	108,313
	<u>9,941,994</u>
Less grants returned from prior years	91,721
	<u><u>\$ 9,850,273</u></u>

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan.

I have audited the consolidated balance sheet of the Saskatchewan Research Council as at March 31, 1999 and the consolidated statements of operations and retained earnings and changes in financial position for the year then ended. The Council's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements, present fairly, in all material respects, the financial position of the Council as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Wayne Streliaff

Regina, Saskatchewan
May 6, 1999

Wayne Streliaff, CA
Provincial Auditor

Statement 1

**SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED BALANCE SHEET
As At March 31**

	<u>1999</u>	<u>1998</u>
ASSETS		
Current assets:		
Investments	\$ —	\$ 1,145,351
Accounts receivable	2,539,663	2,472,117
Prepaid expenses	<u>84,906</u>	<u>71,749</u>
	2,624,569	3,689,217
Non-current assets:		
Advances receivable	12,015	9,948
Deferred charge (Note 3 and Note 4)	1,018,000	2,080,000
Restricted cash and investments (Note 5)	168,566	166,653
Capital assets (Note 6)	<u>6,306,789</u>	<u>3,317,914</u>
	<u><u>\$ 10,129,939</u></u>	<u><u>\$ 9,263,732</u></u>
 LIABILITIES AND PROVINCE'S EQUITY		
Current liabilities:		
Bank indebtedness (Note 7)	\$ 1,240,231	\$ 145,977
Accounts payable	1,473,325	3,122,477
Unearned revenue	315,342	430,843
Deferred revenue – Fermentation (Note 8)	822,527	290,853
Salaries and wages payable	560,141	285,228
Vacation payable	<u>115,116</u>	<u>142,997</u>
	4,526,682	4,418,375
Non-current liabilities:		
Sick leave benefits payable	432,480	446,232
Accrual for decommissioning (Note 9)	686,000	572,000
Deferred revenue- Fermentation (Note 8)	<u>2,326,820</u>	<u>1,709,147</u>
	7,971,982	7,145,754
Province's equity:		
Retained earnings- unappropriated (Statement 2)	1,989,391	1,951,325
Retained earnings - appropriated (Note 5)	<u>168,566</u>	<u>166,653</u>
	<u>2,157,957</u>	<u>2,117,978</u>
	<u><u>\$ 10,129,939</u></u>	<u><u>\$ 9,263,732</u></u>

(See accompanying notes to the financial statements)

Statement 2

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS
Year Ended March 31

	<u>1999</u> (Note 14)	<u>1998</u> (Note 14)
Revenue:		
Contracts	\$ 11,192,240	\$ 11,140,301
Grant - General Revenue Fund	7,956,000	7,956,000
Grant - Agri-Food Innovation Fund (Note 8)	290,853	---
Bank interest revenue	<u>136,137</u>	<u>134,613</u>
	<u>19,575,230</u>	<u>19,230,914</u>
Expense:		
Salaries and benefits	10,062,730	9,283,053
Supplies and services	4,542,434	4,929,914
Accommodation charges	3,027,236	3,034,193
Amortization of capital assets	1,007,830	869,699
Amortization of Agri-Food Innovation Fund funded assets (Note 8)	290,853	---
Bank interest	<u>8,853</u>	<u>33,338</u>
	<u>18,939,936</u>	<u>18,150,197</u>
Net income from operations	635,294	1,080,717
Pension Plan (decrease) increase in surplus amount (Note 4)	(125,315)	602,311
Pension Plan enhancement to Pensioners' Benefits (Note 4)	<u>(470,000)</u>	<u>---</u>
Net income	39,979	1,683,028
Retained earnings - unappropriated, beginning of year	1,951,325	309,714
Deduct amounts appropriated during year (Note 5)	<u>(1,913)</u>	<u>(41,417)</u>
Retained earnings - unappropriated, end of year - to Statement 1	<u>\$ 1,989,391</u>	<u>\$ 1,951,325</u>

(See accompanying notes to the financial statements)

Statement 3

SASKATCHEWAN RESEARCH COUNCIL
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Year Ended March 31

	<u>1999</u>	<u>1998</u>
Cash provided by (used in):		
Operating Activities:		
Net income	\$ 39,979	\$ 1,683,028
Add (deduct) items not affecting cash:		
Amortization of capital assets	1,007,830	869,699
Decrease (increase) in deferred charge	1,062,000	(184,210)
(Increase) in restricted cash and investments	(1,913)	(41,417)
(Decrease) increase in sick leave benefits payable	(13,752)	5,000
Increase in accrual for decommissioning	114,000	114,000
	<u>2,208,144</u>	<u>2,446,100</u>
Net change in non-cash working capital		
balances related to operations (Note 11)	<u>(1,600,391)</u>	<u>2,602,885</u>
Cash provided by operating activities	<u>607,753</u>	<u>5,048,985</u>
Investment Activities:		
Purchase of capital assets	(4,345,279)	(1,874,310)
Proceeds from sale of capital assets	57,721	68,821
Cash used in investment activities	<u>(4,287,558)</u>	<u>(1,805,489)</u>
Financing Activities:		
Contributions for capital assets (Note 8)	1,440,200	2,000,000
Cash provided by financing activities	<u>1,440,200</u>	<u>2,000,000</u>
(Decrease)/Increase in cash	(2,239,605)	5,243,496
Cash/(Bank indebtedness), beginning of year	<u>999,374</u>	<u>(4,244,122)</u>
(Bank indebtedness)/Cash, end of year	<u>\$ (1,240,231)</u>	<u>\$ 999,374</u>
Represented by:		
Investments	\$ ---	\$ 1,145,351
Bank indebtedness	<u>(1,240,231)</u>	<u>(145,977)</u>
	<u>\$ (1,240,231)</u>	<u>\$ 999,374</u>

(See accompanying notes to the financial statements)

**SASKATCHEWAN RESEARCH COUNCIL
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1999**

1. Status of Saskatchewan Research Council

Saskatchewan Research Council ("the Council") was established pursuant to Section 3 of *The Research Council Act* for the purpose of research and investigation in the fields of the physical sciences, pure and applied, as they affect the economy of the Province of Saskatchewan. The Council is a body corporate which receives monies appropriated by the Legislature for these purposes. It is also empowered to conduct research under contract for others and to receive financial assistance pursuant to agreements with other similar agencies.

2. Summary of Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following accounting principles are considered to be significant:

a) Consolidation Principles and Basis of Presentation

The accounts of TecMark International Inc., a wholly-owned subsidiary of the Saskatchewan Research Council, are consolidated in these financial statements.

The Council's proportionate share of the assets, liabilities, revenues, expenses and cash flows of a joint venture with Bova-Can Parentage Testing Inc. are included in these financial statements.

b) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

c) Revenue Recognition

Revenue from the majority of contract work is recognized on the percentage-of-completion method which recognizes revenue as a contract progresses. Unbilled revenues are accrued to the year-end for these contracts, while pre-billed revenues received are classified as unearned revenue.

Other contributions that are restricted for a specified use are deferred and are recognized as revenue when the related expenses are incurred.

Agri-Food Innovation Fund revenue is recognized at the same rate as the assets are put in use and amortized.

2. Summary of Accounting Policies (Continued)

d) Investments

Investments, which are recorded at cost, have a market value of \$0 (1998 - \$1,148,577) as at March 31, 1999.

e) Capital Assets

The assets of the Council are initially recorded at cost, including labour, material and overhead for self-constructed assets.

Amortization of capital assets is provided over the estimated useful lives of the assets on the following basis:

i)	Sum-of-the-years'-digits method	
	Buildings	20 years
	Equipment	5-10 years
ii)	Declining balance method	
	Automotive	33 1/3%
iii)	Straight-line	
	Goodwill	5 years
	Leaseholds	9-10 years

f) Accrued Vacation Credits

The costs associated with vacation credits are recognized when the vacation entitlements are earned. The value of credits earned to the year-end but not taken are reflected as a liability.

g) Sick Leave Benefits

The Council allowed unused sick leave credits to accumulate over the term of employment for each employee to March 31, 1998. The costs associated with these sick leave benefits are recognized when benefits are earned and accumulated by employees at a rate of 10% of the unused accumulated value of credits earned.

2. Summary of Accounting Policies (Continued)

The practice of accumulating sick leave credits for 10% payout ceased effective April 1, 1998. Upon termination of employment the Council pays out 10% of the accumulated unused sick leave credits to March 31, 1998 based on the wage rate in effect at March 31, 1998.

h) Accrual for Decommissioning

The Council accrues the liability for future decommissioning and site restoration costs when the likelihood of incidence is established and such costs can be reasonably determined. Annual provisions for estimated future asset decommissioning and site restoration costs, less any residual or salvage value, are charged to Supplies and Services expense over the remaining service lives of the related capital assets. These cost estimates are revised periodically in accordance with changes in the assumptions and estimates underlying the calculations, changes in technology, and with experience arising from the decommissioning of capital assets and with changes in applicable legislation and regulations.

i) Restricted Cash and Investments

The investment is comprised of units in a balanced mutual fund managed by a professional investment manager. The balanced mutual fund has no fixed interest rate, and its returns are based on the performance of the fund. Additional units are acquired when distributions are made by the fund. Cash dividends are not paid by the fund; however, investors can realize changes in the underlying unit values by redeeming units.

Units in the mutual fund are recorded in the accounts at their net asset value per unit. Net asset value per unit is the market value of the investments in the fund portfolio divided by the total number of outstanding units in that fund. The adjustment necessary to record units at their net asset value at the year-end is shown as contract revenue.

3. Deferred Charge

The deferred charge on the balance sheet is the Pension Plan Surplus as at March 31, 1999.

4. Pension Plan

The Council maintains a Pension Plan for its employees. Until December 31, 1990, it was a defined benefit plan. Effective January 1, 1991, the Plan was changed to a defined contribution plan. The changes do not affect existing pensioners who will continue to receive benefits granted. The latest actuarial valuation was updated as at January 1, 1999. The Pension Plan has been valued using the administrator's best estimates. The financial position of the Plan is as follows:

	<u>1999</u>	<u>1998</u>
Plan assets at market value, January 1	\$ 22,104,991	\$ 22,932,312
Adjustment for (decrease) increase in market value to March 31	<u>(86,568)</u>	<u>124,726</u>
Plan assets at adjusted market value	22,018,423	23,057,038
Accrued Plan benefits:		
Defined contribution	17,716,423	18,094,038
Defined benefit	2,814,000	2,883,000
Enhancement to Pensioners' Benefits	<u>470,000</u>	<u>---</u>
Surplus	<u>\$ 1,018,000</u>	<u>\$ 2,080,000</u>

Upon termination of the Plan, any balance of the Pension Fund remaining after discharging all liabilities shall belong to the Council. The balance may be distributed in a manner to be determined by the Council at its sole discretion after receiving prior approval in accordance with *The Pension Benefits Act, 1992*, the *Income Tax Act* (Canada) and the regulations thereunder.

During the year, the Council used \$466,685 (1998 - \$418,101) of the pension surplus excess to offset employer contributions to the Plan. The Council had been holding back this surplus as a contingency reserve, however due to good investment performance, the contingency reserve has increased beyond the required and acceptable level. The Council plans to use up to \$700,000 of the March 31, 1999 surplus for future contribution holidays.

Under the current provisions of the Plan, no increase is paid to any pensioner in the years during which the fund earned less than 6%. During the year, the Board of Directors passed a Motion to grant increases to the pensioners' benefits for the three years where no increases were provided. The Council included a charge of \$470,000 based on the Actuary's estimate of the cost of these increases. Since the proposed amendment to the plan has not been approved by Revenue Canada nor the Superintendent of Pensions, there is some uncertainty associated with this estimate.

4. Pension Plan (Continued)

	1999	1998
Surplus, beginning	\$ 2,080,000	\$ 1,895,790
Contribution holiday	(466,685)	(418,101)
Plan administration	(62,423)	(54,626)
Investment (loss) gain	(62,892)	656,937
Enhancement to Pensioners' Benefits	(470,000)	---
Surplus, ending	<u>\$ 1,018,000</u>	<u>\$ 2,080,000</u>

5. Restricted Cash and Investments

Restricted cash and investments represents the Technology in Action Fund ("Fund") which was established in 1994 when Mr. Ian Wahn made a gift to the Council, an agent of the Crown. The Fund was established to help the people of Saskatchewan develop their province as a highly-skilled, fair, desirable and compassionate society with a secure environment through research, development and the transfer of innovative scientific and technological solutions, applications and services. The Council received a binding ruling from Revenue Canada that accepts this as a "Gift to the Crown". The Council will maintain a separate account of the capital contributions and all investment income earned. The amount contributed cumulatively to March 31, 1999 is as follows:

	1999	Change	1998
Capital contributions	\$ 151,363	\$ 25,000	\$ 126,363
Investment earnings	57,203	2,913	54,290
Technology grant	(40,000)	(26,000)	(14,000)
Total	<u>\$ 168,566</u>	<u>\$ 1,913</u>	<u>\$ 166,653</u>

6. Capital Assets

	1999		1998
	Cost	Accumulated Amortization	Net Book Value
Buildings	\$ 739,324	\$ 700,582	\$ 38,742
Leaseholds	2,229,229	1,175,223	1,054,006
Equipment	14,086,511	11,522,391	2,564,120
Automotive	183,405	183,405	---
Goodwill	35,413	14,165	21,248
Fermentation Facility	2,908,526	290,853	2,617,673
Land	11,000	---	11,000
	<u>\$20,193,408</u>	<u>\$13,886,619</u>	<u>\$ 6,306,789</u>
			<u>\$ 3,317,914</u>

Included in the cost and net book value of equipment, is \$128,819 (1998 - \$1,044,922) of assets that were not amortized because they were not ready for use.

7. Bank Indebtedness

The Council was authorized by the Minister of Finance to establish a line of credit not to exceed \$5,100,000. There is an assignment of the accounts receivable as collateral for bank indebtedness. Interest is charged on the line of credit at the Bank of Montreal prime rate.

8. Deferred Revenue – Fermentation Facility

The Council receives contributions for certain capital assets, which it records as deferred revenue until such time the assets are put in use and amortized. During the year, the Council received \$1,140,200 in contributions (1998 - \$2,000,000) from the Agri-Food Innovation Fund (AFIF), a related party, which were recorded in deferred revenue and related to capital asset expenditures. Also during the year the Council recorded \$290,853 (1998 - \$0) as revenue based on the amortization of the related capital asset.

The current portion of deferred revenue – Fermentation Facility, is comprised of the following amounts:

	1999	1998
Following year's amortization of Fermentation Facility asset	\$ 290,853	\$ 290,853
Provincial Strategic Initiative Fund grant for startup costs	300,000	---
Agri-Food Innovation Fund revenue representing expenditures for the following fiscal year	231,674	---
	<u>\$ 822,527</u>	<u>\$ 290,853</u>

The long-term portion, \$2,326,820 (1998 - \$1,709,147) represents AFIF monies used to purchase capital assets that will be recognized as revenue at the same rate that the assets are amortized.

In addition, during the year the Council received \$300,000 (1998 - \$0) from the Department of Economic and Co-operative Development for future training and capital expenditures related to the Fermentation Facility. This amount will be recognized as revenue when the related expenses are incurred.

9. Accrual for Decommissioning

Atomic Energy Control Board of Canada licensing conditions require that SLOWPOKE reactor owners have in place a decommissioning plan and a financial plan to cover the associated costs.

9. Accrual for Decommissioning (Continued)

The Council estimates its SLOWPOKE reactor decommissioning could be required as early as 1999/2000, but more likely will be required before the end of the next decade.

The Council, in discussions with the current servicing agency (Nordion International), estimates decommissioning costs will be in the range of \$800,000 to \$1,400,000 by the year 2000.

In the Council's best estimate, the costs of decommissioning will be much closer to the low end of the range. Additionally, the Council is expecting the useful life to exceed original estimates. As a result, the Council will continue to incur an expense resulting in an accrual of \$800,000 in the year 2000.

As at March 31, 1999, \$686,000, (1998 - \$572,000) was accrued for decommissioning costs. An additional \$114,000 will be accrued next year for a total of \$800,000.

10. TecMark Inc.

TecMark International Commercialization Inc. ("TecMark") was incorporated under *The Business Corporations Act* (Saskatchewan) on October 9, 1996 as a wholly-owned subsidiary of the Council. The purpose of the Corporation is to assist in the commercialization of technology for inventors, entrepreneurs and partner institutions in the Province of Saskatchewan.

Supplies and Services includes \$86,217 (1998 - \$62,872) in connection with projects undertaken by TecMark. All these projects are funded by SRC.

11. Net Change in Non-Cash Working Capital Balances

	1999	1998
(Increase) decrease in accounts receivable	\$ (67,546)	\$ 281,520
(Increase) decrease in prepaid expenses	(13,157)	51,089
(Increase) decrease in loans and advances receivable	(2,067)	62,421
(Decrease) increase in accounts payable	(1,649,152)	2,555,413
(Decrease) in unearned revenue	(115,501)	(460,710)
Increase in salaries and wages payable	274,913	87,682
(Decrease) increase in vacation and benefits payable	(27,881)	28,235
(Decrease) in due to Saskatchewan Energy Conservation and Development Authority	—	(2,765)
	<u>\$ (1,600,391)</u>	<u>\$ 2,602,885</u>

12. Joint Venture

Effective February 1, 1997 the Council entered into a 50 percent ownership joint venture with Bova-Can Parentage Testing Inc. The five-year arrangement, automatically renews after the initial term in yearly increments, and provides Bova-Can Blood Lab with access to all animal lists and history, and the genotyping market. Upon termination of this agreement, the complete database of genotypes, the DNA bank and 50% of the net assets will transfer to Bova-Can Parentage Testing Inc. The effect of the transaction results in the Council retaining the following assets, liabilities, revenues, expenses and cash flows (which are included in the preceding consolidated financial statements) related to the Council's portion of the joint venture:

	1999	1998
Current Assets	\$ 46,976	\$ 92,520
Long-term Assets	160,100	122,486
Current Liabilities	29,796	57,109
Long-term Liabilities	8,280	8,280
Revenues	602,645	646,896
Expenses	583,264	568,103
Net income	19,381	78,793
Cash flows resulting from operating activities	75,098	94,262
Cash flows resulting from investing activities	(77,165)	(31,841)

13. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Council by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms except for the following:

During the year, the Council paid \$2.7 million (1998 - \$2.8 million) to the Saskatchewan Property Management Corporation (SPMC) and Saskatchewan Opportunities Council (SOCO) for accommodation charges on buildings. The amount payable to SOCO as at March 31, 1999 is \$0.6 million for leasehold improvements (1998 - \$1.9 million, for rent payments). At year-end, SRC has lease commitments with SOCO requiring minimum lease payments of \$1.9 million over the next three years.

13. Related Party Transactions (Continued)

During the year, the Council received \$1.8 million (1998 - \$1.3 million) of fee-for-service contract revenue from related parties. The Council has \$3.2 million (1998 - \$2.1 million) of deferred revenue from related parties as at March 31, 1999. Of the \$3.2 million, \$2.8 million (1998 - \$2.0 million) is related to the Fermentation Facility's funding from AFIF.

During the year, the Council provided general administrative services to the Saskatchewan Research Council Employees' Pension Plan without charge.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

14. Comparison of Planned and Actual Results

A comparison of actual to budgeted results for each line item on the income statement follows:

	Actual 1999	Budget 1999	Actual 1998	Budget 1998
Revenue:				
Contracts	\$ 11,192,240	\$ 12,945,000	\$ 11,140,301	\$ 17,778,000
Grant - General				
Revenue Fund	7,956,000	7,956,000	7,956,000	7,956,000
Grant - AFIF	290,853	—	—	—
Bank interest revenue	136,137	26,000	134,613	—
	<u>19,575,230</u>	<u>20,927,000</u>	<u>19,230,914</u>	<u>25,734,000</u>
Expenses:				
Salaries and benefits	10,062,730	9,675,000	9,283,053	9,514,600
Supplies and services	4,542,434	6,907,000	4,929,914	11,018,070
Accommodation charges	3,027,236	3,440,000	3,034,193	3,140,000
Amortization of capital assets	1,007,830	905,000	869,699	1,528,330
Amortization of AFIF funded assets	290,853	—	—	—
Bank interest	8,853	90,000	33,338	150,000
	<u>18,939,936</u>	<u>21,017,000</u>	<u>18,150,197</u>	<u>25,351,000</u>
Net income from operations	635,294	(90,000)	1,080,717	383,000
Pension Plan (decrease) increase in surplus	(125,315)	400,000	602,311	—
Pension Plan enhancement to Pensioners' Benefits	<u>(470,000)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net income	<u>\$ 39,979</u>	<u>\$ 310,000</u>	<u>\$ 1,683,028</u>	<u>\$ 383,000</u>

Budget 1998 includes \$3,040,000 of contract revenue, and \$3,346,000 of supplies and services and amortization of capital assets, which relates to the Fermentation Pilot Plant.

15. Expenses by Program

Program	Actual 1999	Budget 1999	Actual 1998	Budget 1998
Research & Technology	\$ 13,084,120	\$ 15,500,262	\$ 12,396,430	\$ 19,590,981
Laboratory Services	<u>5,855,816</u>	<u>5,516,738</u>	<u>5,753,767</u>	<u>5,760,019</u>
Total	<u>\$18,939,936</u>	<u>\$21,017,000</u>	<u>\$18,150,197</u>	<u>\$25,351,000</u>

Administrative services have been allocated to each program based on a percentage of labour. Space costs have been allocated to each program based on an estimate of square footage occupied.

16. Financial Instruments

The Council's significant financial instruments consist of investments, accounts receivable, accounts payable and the bank indebtedness (line of credit).

Credit Risk:

The Council is exposed to credit risk from the potential default of customers. However, the majority of the Council's receivables are from related parties, other government agencies and reputable, longstanding corporate clients. Therefore the credit risk is minimal.

Fair Values:

The fair values of the investments, accounts receivable, accounts payable and bank indebtedness approximate their carrying value due to the short-term nature of these instruments.

17. Year 2000 (Y2K)

The Y2K Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. The effects of the Y2K Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Y2K Issue affecting the entity, including those related to the efforts of sponsors, suppliers, or other third parties, will be fully resolved.

SRC has addressed the above issues by establishing a Y2K committee within the Corporation to assess potential Y2K risks. SRC has examined its computer systems, products and devices including our network, information processing functions, laboratory systems and equipment. SRC is in the final process of contacting key customers, partners and suppliers to assess their Y2K readiness. However, it is not possible to be certain that all aspects of the Y2K issue affecting the entity including those related to the efforts of customers, partners, suppliers or third parties will be fully resolved.

18. Financial Statement Presentation

Certain of the 1998 financial statement balances have been reclassified to conform to the 1999 presentation.

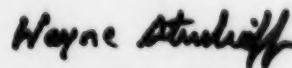
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Saskatchewan Student Aid Fund as at March 31, 1999 and the statements of revenue, expenditure and accumulated surplus, and changes in financial position for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
June 4, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

SASKATCHEWAN STUDENT AID FUND
BALANCE SHEET
As at March 31

	1999	1998
ASSETS		
Assets:		
Due from General Revenue Fund (Note 6)	\$ 57,570,441	\$ 47,617,370
Accrued Interest	673,178	451,539
Other Receivables	42,142	218,893
Student Loans Receivable (Note 7)	<u>7,643,393</u>	<u>35,071,673</u>
Total Assets	<u>\$ 65,929,154</u>	<u>\$ 83,359,475</u>
LIABILITIES, FUND BALANCES AND ACCUMULATED SURPLUS		
Liabilities:		
General Revenue Fund Loan (Note 9)	\$ 0	\$ 24,182,553
Due to Royal Bank of Canada (Note 8)	41,100,604	34,743,868
Other Accounts Payable	<u>895,295</u>	<u>1,444,444</u>
Total Liabilities	41,995,899	60,370,865
Scholarship Funds	36,300	36,300
Accumulated Surplus (Statement 2)	<u>23,896,955</u>	<u>22,952,310</u>
	<u>\$ 65,929,154</u>	<u>\$ 83,359,475</u>

(See accompanying notes to financial statements)

SASKATCHEWAN STUDENT AID FUND
STATEMENT OF REVENUE, EXPENDITURE AND ACCUMULATED SURPLUS
For the year ended March 31

	BUDGET	1999	1998
Revenue:			
Appropriation from the General Revenue Fund	\$ 31,515,000	\$ 30,995,000	\$ 28,415,000
Interest Payments from the General Revenue Fund	1,995,000	2,903,110	1,557,989
Interest on Student Loans	2,534,000	2,426,191	5,502,230
Recovery of Bad Debt Allowances	1,071,857	875,865	5,201,233
Other Income	150,000	125,195	147,573
	<u>37,265,857</u>	<u>37,325,361</u>	<u>40,824,025</u>
Expenditure:			
Interest on General Revenue Fund Loan (Note 9)	1,318,500	958,755	2,931,267
Loan Forgiveness Grants	3,570,000	3,120,652	13,774,070
Sask Student Bursaries	11,104,768	12,824,431	0
Canada Study Grants	1,707,597	2,412,821	0
Sask Study Grants	2,187,635	3,509,947	0
Special Incentive Loan Remissions	2,000,000	2,558,012	1,954,460
Interest on Loans	6,370,000	5,530,868	6,432,585
Risk Premium	2,947,500	2,710,633	2,202,307
Loan Guarantee	500,000	80,599	519,172
Interest Relief Grants	1,200,000	1,099,073	1,031,951
Interest Write-Down Grants (Recovery)	0	0	(111,089)
Collection Costs	600,000	427,124	563,518
Special Opportunity Grants	950,000	757,601	652,491
Bursaries and Scholarships	421,000	390,200	416,174
	<u>34,877,000</u>	<u>36,380,716</u>	<u>30,366,906</u>
Excess Revenue Over Expenditure for the Year	2,388,857	944,645	10,457,119
Accumulated Surplus, Beginning of Year	22,952,310	22,952,310	12,495,191
Accumulated Surplus, End of Year to Statement 1	\$ 25,341,167	\$ 23,896,955	\$ 22,952,310

(See accompanying notes to financial statements)

Statement 3

SASKATCHEWAN STUDENT AID FUND
STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Year Ended March 31

	<u>1999</u>	<u>1998</u>
Cash Provided by (used in) Operating Activities:		
Excess of Revenue over Expenditure	\$ 944,645	\$ 10,457,119
Change in Non-Cash Working Capital Items:		
Decrease (increase) in Accrued Interest	(221,639)	(103,676)
Increase in Appropriation Due from General Revenue Fund	0	2,642,000
Decrease in Other Receivables	176,751	(1,194)
Decrease in Student Loans Receivable	27,428,280	17,033,411
Increase in Due to Royal Bank of Canada	6,356,736	5,783,080
(Decrease) increase in Other Accounts Payable	<u>(549,149)</u>	<u>843,139</u>
Cash Provided by Operating Activities	34,135,624	36,653,879
Cash Provided by (used in) Financing Activities:		
General Revenue Fund Loan Repayments	<u>(24,182,553)</u>	<u>(28,530,000)</u>
Net Increase in Due from General Revenue Fund	9,953,071	8,123,879
Due from General Revenue Fund, Beginning of Year	<u>47,617,370</u>	<u>39,493,491</u>
Due from General Revenue Fund, End of Year	<u><u>\$ 57,570,441</u></u>	<u><u>\$ 47,617,370</u></u>

(See accompanying notes to financial statements)

SASKATCHEWAN STUDENT AID FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Authority

The Saskatchewan Student Aid Fund (the Fund) continued under *The Student Assistance and Student Aid Fund Act, 1985*. The primary purpose of the Fund is to operate the Saskatchewan Student Assistance Program. The Department of Post-Secondary Education and Skills Training (the Department) administers the Fund and the Saskatchewan Student Assistance Program.

2. Description of the Program

Under the terms of the Saskatchewan Student Assistance Program, student loans are provided to qualifying individuals at interest rates prescribed by the Minister of Post-Secondary Education and Skills Training and are interest free until repayment is required.

Loans become repayable and interest begins after a six-month period following discontinuance of studies or graduation. Special incentive loans are available to qualifying high need disadvantaged students.

Three new student debt reduction benefits were introduced for the 1998-99 loan year and will be funded through the Fund. The Saskatchewan Student Bursary which replaces the former Forgivable Loan Plan will provide a bursary to all students with a need over \$180 per week up to \$275 per week. The Canada Study Grants and the Saskatchewan Study Grants will provide grants to students with dependants to cover their need between \$275 per week and \$400 per week.

Special incentive loan remissions, Saskatchewan Student Bursaries and/or Canada/Saskatchewan Study Grants are granted to all borrowers who meet the requirements specified by the Saskatchewan Student Assistance Program Administrative Guidelines. If the value of grants exceed the student's loan balance, the excess is applied to their Canada Student Loans or paid to the qualifying borrower.

A Risk Sharing Student Loans Agreement (the Agreement) between the Department and the Royal Bank of Canada was signed March 12, 1996. This Agreement covers loans approved between August 1, 1996 and July 31, 2001. The Department retains responsibility for loan approval. Saskatchewan Student Loans approved in this period are financed by the Royal Bank. Students still at school, with existing loans, had their loan balances transferred to the Royal Bank when the Department approved their new loans. Loan disbursement, management and collection are done by the Royal Bank as detailed in the Agreement. The Fund pays a risk premium of 5% to the Royal Bank when loans become repayable.

The Department negotiated another agreement with the Royal Bank to transfer substantially all of the loans presently held by the Fund. This agreement came into effect on October 1, 1997 and will remain in force until December 31, 1999. Borrowers who are not in default, have more than seven monthly payments still owing and are not on interest relief are eligible to be transferred. The Fund pays a risk premium of 5% to the Royal Bank when the balance of the loan is transferred. When a loan is transferred, any bad debt allowance relating to that loan will be recovered. Borrowers will retain the rights associated with their loans (i.e. interest rate, repayment term and interest relief eligibility will be transferred with the loan).

Debt reduction benefits and costs associated with the interest-free period on lender-financed loans are paid by the Fund to the Royal Bank to be applied against student loan balances.

3. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant.

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Student Loans Receivable

Student loans are carried at amounts advanced plus accrued interest. Interest commences six months following discontinuance of studies or graduation. Simple interest is charged on loans following the interest-free period. Payments on loans are first applied to interest, then to outstanding principal.

Loans are reduced by approved special incentive loan remissions, loan forgiveness grants, Saskatchewan Student Bursaries and Canada/Saskatchewan Study Grants.

For loans held by the Fund, allowances are deducted from loans receivable for the following:

- i) estimated uncollectible loans due to default on repayment, based on past collection experience; and
- ii) estimated benefits to borrowers for interest relief.

4. Loans Held by Student Aid Fund

Loans held by the Fund consist of amounts owing by borrowers for loans granted in previous periods.

The Fund is exposed to credit-related losses in the event that borrowers default on repayment of the student loans. Credit risk represents the maximum amount at risk if the borrowers defaulted on their repayments. The Fund's credit risk on student loans receivable is represented by Gross Student Loans Receivable, end of year in Note 7.

The recorded allowance for uncollectible loans is \$13,593,680 (1998 - \$20,359,652). This allowance could reasonably be expected to fluctuate between \$12,720,696 and \$14,467,365 within the next twelve months (1998 - \$18,615,649 to \$22,870,146).

The Fund is also exposed to interest rate risk. Loans receivable have effective interest rates of 5.00% to 12.00% (1998 - 5.00% to 12.00%). Under the Student Assistance and Student Aid Fund Regulations, 1990, the Minister charges interest rates as set pursuant to the *Canada Student Loans Act*. Under this Act, each year in August, the Federal government sets the interest rates to be charged for students graduating during the next 12 months. This rate is based on average open market yield for the previous 6 months on mid-term (5-10 years) Government of Canada bonds plus 1%. At March 31, 1999, the rate was 6.375%. These loans were financed by the General Revenue Fund as described in Note 9. The loan balances and related interest rates are listed in the following schedule:

<u>Interest Rate</u>	<u>1999 Total Balance</u>	<u>1998 Total Balance</u>
Less than 8.0%	\$573,286	\$812,142
8.0%-8.9%	9,248,201	22,980,444
9.0%-9.9%	10,088,863	28,715,451
10.0%-10.9%	1,032,874	2,714,475
11.0% or greater	653,190	1,382,804
Gross student loans receivable, end of year (Note 7)	<u>\$21,596,414</u>	<u>\$56,605,316</u>

The fair value and repayment period of loans receivable have not been disclosed because it is not practicable to determine the loan repayments with sufficient reliability. There are a number of factors needed to estimate the timing and the amount of loan repayments. These factors include the Fund's historical experience, applications for interest relief, forgiveness, and remission grants, economic conditions, and the necessity to rely on the actions of a large number of individuals.

5. Interest Relief Grants

Interest relief grants are provided to borrowers in repayment who are unable to meet their repayment obligations due to financial hardship. Applicants are eligible for these grants for a maximum of 18 months.

6. Due from General Revenue Fund

The Fund's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Fund's earned interest is calculated and paid quarterly by the General Revenue Fund to the Fund using the General Revenue Fund's thirty day borrowing rate and the Fund's average daily bank account balances.

7. Student Loans Receivable

	1999	1998
Loans outstanding, beginning of year	\$56,605,316	\$81,938,680
Add: New loans during the year	0	173,336
Interest earned on student loans	2,421,979	5,506,042
Bad debts recovered	780,986	793,374
Deduct: Loan repayments received	(8,034,083)	(19,451,498)
Book value of loans transferred to the Royal Bank	(22,593,329)	(9,170,168)
Amounts authorized to reduce loans:		
Loan forgiveness grants	(656,388)	(1,226,534)
Special incentive loan remissions	(112,432)	(256,470)
Sask Student Bursaries	(8,638)	----
Canada/Sask Study Grants	(2,700)	----
Interest relief granted	(133,723)	(485,544)
Interest write-down grants	518	44,903
Loans written off	(6,671,092)	(1,260,805)
Gross student loans receivable, end of year	\$21,596,414	\$56,605,316
Deduct: Allowance for interest relief	(359,341)	(1,173,991)
Allowances estimated on prior year's experience:		
Allowance for uncollectible loans before recovery	(14,469,545)	(25,560,885)
Less recovery of bad debt allowance	875,865	5,201,233
Student loans receivable, end of year	\$7,643,393	\$35,071,673

8. Due to Royal Bank of Canada

The Fund estimates amounts due to the Royal Bank. This estimate includes the following:

a. Interest Accrual

Interest accruing on student loans is not paid by the borrower as long as they are in school or grace. The Fund pays this interest to the Royal Bank. The interest accrual is an estimate, based on the projected loan receivable balance and the projected market rate of interest. The estimated projected market rate of interest is 6.35% (1998 - 6.7%) and the estimated period students are in school or grace is two years. However, it is reasonable to expect the interest rate to fluctuate between 6.1% and 6.6% over the next 12 months (1998 - 6.5% to 6.9%).

b. Special Incentive Loan Remission and Loan Forgiveness Grant Accrual

The Fund will pay the Royal Bank expected future special incentive loan remission grants and any outstanding loan forgiveness grants.

c. Risk Premium Accrual

A risk premium is paid to the bank at the time the loan becomes repayable. The risk premium is equal to 5% of the total outstanding loan at the time the loan becomes repayable. The accrual is an estimate of future risk premiums for loans held by the Royal Bank. This estimate is calculated after considering possible future forgiveness and special incentive loan remission grants. This amount is not expected to fluctuate significantly within the next 12 months.

d. Loan Guarantee Accrual

The Fund guarantees loans in certain circumstances in the event of death or bankruptcy of the borrower. The amount paid to the bank is equal to the loan balance outstanding on the date of death or bankruptcy. This amount is not expected to fluctuate significantly within the next 12 months.

e. Interest Relief Accrual

Interest relief is paid to the bank at the prevailing market rate of interest in effect at the time the borrower applies for relief. It is estimated that the interest relief accrual will be paid to the bank on behalf of applicants over a nine-year period. This amount is not expected to fluctuate significantly within the next 12 months.

In addition, Due to Royal Bank of Canada includes Saskatchewan Student Bursaries, Canada Study Grants and Saskatchewan Study Grants.

These accruals could reasonably be expected to fluctuate within the next 12 months as follows:

	<u>1999</u>		<u>1998</u>
	<u>Actual</u>	<u>Range of Accruals</u>	<u>Actual</u>
Interest Accrual	\$10,309,338	\$8,815,000 to \$11,907,000	\$10,515,555
Loan forgiveness grant accrual	3,600,385	3,043,000 to 6,237,000	15,992,628
Special incentive loan remission accrual	2,490,840	2,043,000 to 2,597,000	2,279,992
Risk premium accrual	3,069,265	n/a	3,211,611
Loan guarantee accrual	365,000	n/a	360,000
Interest relief accrual	<u>3,613,118</u>	n/a	<u>2,384,082</u>
	<u>\$23,447,946</u>		<u>\$34,743,868</u>
 Sask Student Bursaries	 12,164,400		 ----
Canada Study Grants	2,231,245		----
Sask Study Grants	<u>3,257,013</u>		 -----
 Due to Royal Bank of Canada	 <u>\$ 41,100,604</u>		 <u>\$34,743,868</u>

9. General Revenue Fund Loan

Loans are obtained from the General Revenue Fund to finance loans to students. Interest accrues quarterly and is based on the General Revenue Fund's cost of borrowing. The interest rate for the first quarter was 5.60%, 6.10% for the second quarter and 5.30% for the third quarter. This loan was repaid in full on December 10, 1998. The interest rate for the full year in 1998 averaged 6.29%.

10. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

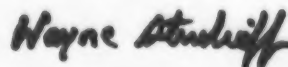
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Saskatchewan Western Development Museum as at March 31, 1999 and the statements of operations and net assets, and cash flows for the year then ended. The Museum's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Museum as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
July 23, 1999

Wayne Strelloff, CA
Provincial Auditor

Statement 1

**SASKATCHEWAN WESTERN DEVELOPMENT MUSEUM
STATEMENT OF FINANCIAL POSITION
As at March 31**

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>1999</u>	<u>1998</u>
ASSETS				
Current:				
Cash	\$ 361,367	\$ ---	\$ 361,367	\$ 184,246
Accounts receivable - General Revenue Fund				
Department of Municipal Government	---	---	---	594,834
Accounts receivable & accrued interest	24,908	---	24,908	52,636
Inventory & prepaid expenses	<u>221,920</u>	<u>---</u>	<u>221,920</u>	<u>251,791</u>
Total current assets	608,195	---	608,195	1,083,507
Investments (Notes 6 and 7)	---	90,500	90,500	140,500
Capital assets (Note 4)	<u>---</u>	<u>7,690,862</u>	<u>7,690,862</u>	<u>7,690,738</u>
	<u>\$ 608,195</u>	<u>\$ 7,781,362</u>	<u>\$ 8,389,557</u>	<u>\$ 8,914,745</u>
LIABILITIES AND NET ASSETS				
Current:				
Due to Restricted Fund				
(from Operating Fund)	\$ 222,576	\$ (222,576)	\$ ---	\$ ---
Accounts payable and accrued liabilities	<u>124,661</u>	<u>---</u>	<u>124,661</u>	<u>243,776</u>
Total current liabilities	<u>347,237</u>	<u>(222,576)</u>	<u>124,661</u>	<u>243,776</u>
Net Assets				
-invested in capital assets (Schedule 1)	---	7,690,862	7,690,862	7,690,738
-externally restricted (Schedule 1)	---	313,076	313,076	644,565
-internally restricted (Schedule 2)	248,478	---	248,478	66,715
-unrestricted (Schedule 2)	<u>12,480</u>	<u>---</u>	<u>12,480</u>	<u>268,951</u>
	<u>260,958</u>	<u>8,003,938</u>	<u>8,264,896</u>	<u>8,670,969</u>
	<u>\$ 608,195</u>	<u>\$ 7,781,362</u>	<u>\$ 8,389,557</u>	<u>\$ 8,914,745</u>

(See accompanying notes to the financial statements)

Statement 2

**SASKATCHEWAN WESTERN DEVELOPMENT MUSEUM
STATEMENT OF OPERATIONS AND NET ASSETS
Year Ended March 31**

		Operating Fund		Restricted Fund		Total	
	Budget			Total	Total		
	1999	1999	1998	1999	1998	1999	1998
(Note 9)							
REVENUE:							
SELF-GENERATED							
Rentals, concessions and souvenir sales	\$ 909,600	\$ 990,204	\$ 933,211	\$ —	\$ —	\$ 990,204	\$ 933,211
Less: cost of sales	825,600	924,081	896,329	—	—	924,081	896,329
Gross profit	84,000	66,123	36,882	—	—	66,123	36,882
Admissions	317,500	345,660	322,629	—	—	345,660	322,629
Donations	—	65,787	43,661	70,818	62,825	136,605	106,486
Interest earned	—	22,607	18,838	—	—	22,607	18,838
Other income	41,100	90,229	73,869	12,325	13,450	102,554	87,319
TOTAL SELF-GENERATED	442,600	590,406	495,879	83,143	76,275	673,549	572,154
GRANTS							
General Revenue Fund – Department of Municipal Government							
- operating grants	1,760,000	1,760,000	1,675,000	—	—	1,760,000	1,675,000
- capital grants	—	—	—	—	1,624,000	—	1,624,000
- employment grants	—	950	—	—	—	950	—
New Careers Corporation							
- employment grants	—	35,801	92,211	—	—	35,801	92,211
Canada Employment Centre							
- employment grants	3,600	17,492	18,303	—	—	17,492	18,303
Other	4,500	16,055	5,700	—	—	16,055	5,700
TOTAL GRANTS	1,768,100	1,830,298	1,791,214	—	1,624,000	1,830,298	3,415,214
TOTAL REVENUE	2,210,700	2,420,704	2,287,093	83,143	1,700,275	2,503,847	3,987,368
EXPENSES:							
Salaries and benefits	1,403,400	1,520,209	1,464,805	9,282	17,109	1,529,491	1,481,914
Building maintenance & utilities	355,400	343,429	341,172	8,924	15,929	352,353	357,101
General and administrative	192,700	168,940	175,655	1,835	35,825	170,775	211,480
Amortization of capital assets	—	—	—	349,313	342,999	349,313	342,999
Promotions and publicity	206,200	269,760	231,912	3,159	—	272,919	231,912
Exhibits and collections	71,100	65,746	60,352	21,754	15,986	87,500	76,338
Winning the Prairie Gamble	—	147,569	20,146	—	—	147,569	20,146
TOTAL EXPENSES	2,228,800	2,515,653	2,294,042	394,267	427,848	2,909,920	2,721,390
Excess of revenue over expenses (expenses over revenue)	(18,100)	(94,949)	(6,949)	(311,124)	1,272,427	(406,073)	1,265,478
Net assets, beginning of year	—	335,666	378,533	8,335,303	7,026,958	8,670,969	7,405,491
Interfund transfers							
to transfer paving fund	—	338,276	(19,719)	(338,276)	19,719	—	—
to purchase capital assets	—	(298,790)	—	298,790	—	—	—
to transfer interest	—	(19,245)	(16,199)	19,245	16,199	—	—
Net assets, end of year	\$ —	\$ 260,958	\$ 335,666	\$ 8,003,938	\$ 8,335,303	\$ 8,264,896	\$ 8,670,969

(See accompanying notes to the financial statements)

Statement 3

**SASKATCHEWAN WESTERN DEVELOPMENT MUSEUM
STATEMENT OF CASH FLOWS
Year Ended March 31**

	<u>Operating Fund</u>	<u>Restricted Fund</u>	<u>1999</u>	<u>1998</u>
Operating activities:				
Cash from (used in) operating activities:				
Excess of revenue over expenses (expenses over revenue)	\$ (94,949)	\$ (311,124)	\$ (406,073)	\$ 1,265,478
Add back items not requiring cash:				
Amortization	<u>---</u>	<u>349,313</u>	<u>349,313</u>	<u>342,999</u>
	<u>(94,949)</u>	<u>38,189</u>	<u>(56,760)</u>	<u>1,608,477</u>
Changes in non-cash working capital items:				
(Increase) decrease in investments	---	50,000	50,000	---
(Increase) decrease in accounts receivable and accrued interest	27,728	594,834	622,562	(292,958)
(Increase) decrease in inventory and prepaid expenses	29,871	---	29,871	44,835
(Decrease) increase in interfund balance	313,345	(313,345)	---	---
(Decrease) increase in accounts payable	<u>(119,115)</u>	<u>---</u>	<u>(119,115)</u>	<u>154,722</u>
	<u>251,829</u>	<u>331,489</u>	<u>583,318</u>	<u>(93,401)</u>
	<u>156,880</u>	<u>369,678</u>	<u>526,558</u>	<u>1,515,076</u>
Investing activities:				
Cash from (used in) investing activities:				
Acquisition of capital assets	<u>---</u>	<u>(349,437)</u>	<u>(349,437)</u>	<u>(1,686,967)</u>
	<u>---</u>	<u>(349,437)</u>	<u>(349,437)</u>	<u>(1,686,967)</u>
Net (decrease) increase in cash position	156,880	20,241	177,121	(171,891)
Cash, beginning of year	184,246	---	184,246	356,137
Interfund transfers	<u>20,241</u>	<u>(20,241)</u>	<u>---</u>	<u>---</u>
Cash, end of year	<u>\$ 361,367</u>	<u>\$ ---</u>	<u>\$ 361,367</u>	<u>\$ 184,246</u>

(See accompanying notes to the financial statements)

**SASKATCHEWAN WESTERN DEVELOPMENT MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Status

The Western Development Museum Board is continued under *The Western Development Museum Act*. The primary purpose of the Board is to procure objects of historical value and importance to the economic and cultural development of Western Canada and to collect, preserve, restore and exhibit the objects to the public. The Act also established The Western Development Museum Fund, through which all of the Board's financial transactions are conducted.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The significant accounting policies are as follows:

a) Fund Accounting

The Museum follows the restricted fund method of accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

i) Operating Fund

The operating fund reflects the primary operations of the Museum. This includes operating and employment grants, admission revenue and rental, concession and souvenir sales. Expenses are for the delivery of these services. This fund reports unrestricted and internally restricted resources.

ii) Restricted Fund

The restricted fund reports the total activity of several separately identifiable restricted funds. The revenues of these individual restricted funds are externally restricted by private individuals or groups that specify how these funds are to be used. Expenses of the restricted fund reflect the costs incurred by the Museum for these projects. The individual restricted funds are:

Restoration Projects Fund

In accordance with donor-imposed restrictions, the net assets of this fund are used to further certain restoration projects.

Artifact Fund

In accordance with a code of professional conduct for museums, all proceeds from the sale of artifacts are used to purchase additional artifacts or strengthen current collections. This fund contains net proceeds from the sale of artifacts.

George Shepherd Library Fund

In 1981, the family of George Shepherd restricted the interest earned off their contribution to be used to augment the George Shepherd Library. Subsequent donors have also imposed this restriction on their donations.

Display Fund

In accordance with a 1983 agreement with Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation (Sask Lotteries), the net assets of this fund are used to purchase, renovate and upgrade the Museum's accommodations.

Paving Fund

In 1992, the Museum received a grant from Sask Lotteries to upgrade the Saskatoon and Moose Jaw parking lots. During the year, the balance of this fund was released by the donor for other uses.

Conservation Laboratory Fund

In accordance with donor-imposed restrictions, the net assets of this fund are used to develop and equip a conservation laboratory.

Capital Fund

The capital fund reflects the equity of the Museum in capital assets. The capital fund includes revenue designated for the acquisition of capital assets. Expenses consist primarily of amortization of capital assets.

b) Capital Assets and Amortization

Capital assets costing more than \$500 are recorded at cost net of accumulated amortization. Normal maintenance and repairs are expensed as incurred. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Office furniture and equipment	10% - 10 years
Computer equipment and software	20% - 5 years
Shop and automotive equipment	10% - 10 years
Buildings	2.5% - 40 years

c) Revenue

Grants and contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Interest revenue that is not externally restricted is recorded as revenue in the operating fund. Interfund transfers allocate the interest earnings to the various internally and externally restricted funds based on each fund's proportionate share of combined net assets.

d) Inventory

Merchandise inventories are valued at the lower of cost and net realizable value.

e) Investments

Investments are recorded at cost which approximates fair value.

f) Donated materials and services

The value of donated materials and services is not recorded.

g) Artifacts

Artifact acquisitions are expensed in the year of purchase. Normal maintenance, restoration and repairs of the Museum's collection of artifacts are expensed as incurred.

3. Artifacts

The Museum displays its collection of artifacts at its four branches in Saskatchewan. These locations are North Battleford, Moose Jaw, Saskatoon, and Yorkton.

Each of the branches tells a Saskatchewan story from a unique perspective. They are: The Story of Agriculture at North Battleford; The History of Transportation at Moose Jaw; Industry and Commerce at Saskatoon; and The Story of People at Yorkton.

The Museum is well known for its collection of agricultural equipment and transportation artifacts that were used in the development of Saskatchewan. In addition, the collection contains domestic and commercial artifacts, clothing and textiles, and a wide variety of artifacts relating to life in Saskatchewan. A portion of the collection is used for demonstration of farm technology, pioneer skills and crafts.

4. Capital Assets

	1999		1998	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 155,900	\$ ---	\$ 155,900	\$ 155,900
Office furniture & equipment	526,090	382,574	143,516	143,027
Shop furniture & equipment	437,102	385,606	51,496	51,815
Auto furniture & equipment	179,780	159,800	19,980	14,797
Building	11,718,316	4,493,686	7,224,630	7,219,266
Snowbirds Theatre and Gallery	498,784	403,444	95,340	105,933
	<u>\$ 13,515,972</u>	<u>\$ 5,825,110</u>	<u>\$ 7,690,862</u>	<u>\$ 7,690,738</u>

5. Leases

The museums operated by the Board are situated on leased land. The Saskatoon, Moose Jaw and Yorkton properties are leased from the respective city for \$1 per year. These leases expire in 2021, 2025, and 2019 respectively. The North Battleford property is leased from Saskatchewan Property Management Corporation for \$1 per year. This lease expires in 2020. It is not practicable to estimate the fair value of the leases.

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Museum by virtue of common control by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are as follows:

Financial statement category:	1999	1998
Salaries and benefits	\$ 174,456	\$ 182,569
Building maintenance & utilities	178,167	159,388
Cost of sales	19,009	17,423

In addition, the Museum pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Investments consist of Saskatchewan Savings Bonds of \$90,500 (1998 - \$140,500). Of this balance, \$50,000 matures in 2002. The remaining \$40,500 matures on July 15, 1999 and bears interest annually at 8.00%. These bonds are sold to Saskatchewan residents only and are not publicly traded. They are redeemable annually on July 15 at their face value by the registered owner.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

7. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing and certainty of future cash flows. The terms and conditions for investments are disclosed in Note 6.

b) Credit risk and interest rate risk

The Museum is exposed to minimal credit risk from the potential non-payment of accounts receivable. Also, the Museum is exposed to minimal interest rate risk because its investments can be redeemed annually.

c) Fair value

The carrying amounts of cash, investments, accounts receivable and accrued interest, and accounts payable and accrued liabilities approximate fair value.

8. Uncertainty due to the Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000.

If not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure that could affect an entity's ability to conduct business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

9. Budget for Operations

The 1998/99 budget was approved by the Board on March 6, 1998.

10. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Schedule 1

SASKATCHEWAN WESTERN DEVELOPMENT MUSEUM
SCHEDULE OF EXTERNALLY RESTRICTED FUNDS
Year Ended March 31, 1999

	<u>Balance March 31, 1998</u>	<u>Donations Revenue</u>	<u>Other Revenue</u>	<u>Expenses</u>	<u>Interest Transfers</u>	<u>Capital Asset Transfers</u>	<u>Other Transfers</u>	<u>Balance March 31, 1999</u>
Restoration Projects Fund	\$ 90,535	\$ 61,597	\$ 7,363	\$ (26,101)	\$ 2,624	\$ (35,693)	\$ ---	\$ 100,325
Artifact Fund	127,261	3,612	—	(3,160)	5,314	(3,590)	---	129,437
George Shepherd Library Fund	6,423	25	—	—	392	—	---	6,840
Display Fund	74,080	399	4,962	(11,470)	2,214	—	---	70,185
Paving Fund	329,779	—	—	—	8,497	—	(338,276)	---
North Battleford Dairy Building	—	5,185	—	(4,067)	57	—	---	1,155
Conservation Laboratory Fund	<u>5,123</u>	<u>—</u>	<u>—</u>	<u>(136)</u>	<u>147</u>	<u>—</u>	<u>---</u>	<u>5,134</u>
	633,201	70,818	12,325	(44,954)	19,245	(39,283)	(338,276)	313,076
Unexpended capital grants	<u>11,364</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(11,364)</u>	<u>---</u>	<u>---</u>
Externally restricted	644,565	70,818	12,325	(44,954)	19,245	(50,647)	(338,276)	313,076
Invested in capital assets	<u>7,690,738</u>	<u>—</u>	<u>—</u>	<u>(349,313)</u>	<u>—</u>	<u>349,437</u>	<u>---</u>	<u>7,690,862</u>
Totals	<u>\$8,335,303</u>	<u>\$ 70,818</u>	<u>\$ 12,325</u>	<u>\$ (394,267)</u>	<u>\$ 19,245</u>	<u>\$ 298,790</u>	<u>\$ (338,276)</u>	<u>\$8,003,938</u>

Schedule 2

**SASKATCHEWAN WESTERN DEVELOPMENT MUSEUM
SCHEDULE OF INTERNALLY RESTRICTED FUNDS
Year Ended March 31, 1999**

	Balance March 31, 1998	Gross profit, Admissions, & Grant Revenue	Interest Revenue	Donations Revenue	Other Revenue	Expenses	Interest Transfers	Capital Asset Transfers	Other Transfers	Balance March 31, 1999
Reserve Fund	\$ 6,324	\$ —	\$ 4,032	\$ 50	\$ 8,232	\$ —	\$ —	\$ —	\$ —	\$ 18,638
Membership Fund	48,647	—	1,129	34,429	—	(19,585)	—	(40,470)	—	24,150
Branch Building Fund	9,282	—	447	7,621	7,191	(2,885)	—	—	—	21,656
Winning the Prairie Gamble Fund	—	—	(2,337)	17,286	—	(147,569)	—	—	132,620	—
Grounds upgrading	—	—	—	—	—	(25,292)	—	—	205,656	180,364
Other funds	<u>2,462</u>	<u>—</u>	<u>91</u>	<u>131</u>	<u>1,333</u>	<u>(347)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,670</u>
Internally restricted	66,715	—	3,362	59,517	16,756	(195,678)	—	(40,470)	338,276	248,478
Unrestricted	<u>268,951</u>	<u>2,242,081</u>	<u>19,245</u>	<u>6,270</u>	<u>73,473</u>	<u>(2,319,975)</u>	<u>(19,245)</u>	<u>(258,320)</u>	<u>—</u>	<u>12,480</u>
Totals	<u>\$335,666</u>	<u>\$2,242,081</u>	<u>\$ 22,607</u>	<u>\$ 65,787</u>	<u>\$ 90,229</u>	<u>\$(2,515,653)</u>	<u>\$ (19,245)</u>	<u>\$(298,790)</u>	<u>\$338,276</u>	<u>\$260,958</u>

These funds are restricted by the Board for specific purposes and are not available for general operating expenses of the Museum. Revenues and expenses are included in Statement 2 together with other operating fund revenues and expenses.

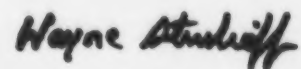
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Training Completions Fund as at March 31, 1999 and the statement of revenue, expenditure and fund balance for the year then ended. The Training Completions Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Training Completions Fund as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
September 16, 1999

Wayne Streliaff, CA
Provincial Auditor

Statement 1

**Training Completions Fund
Balance Sheet
As at March 31, 1999**

	<u>1999</u>	<u>1998</u>
ASSETS		
Due from General Revenue Fund (Note 4)	115,954	71,852
Accounts Receivable	<u>0</u>	<u>1,945</u>
	<u><u>115,954</u></u>	<u><u>73,797</u></u>
 FUND BALANCE		
 Fund balance (Statement 2)	<u><u>115,954</u></u>	<u><u>73,797</u></u>

(See accompanying notes to the financial statements)

Statement 2

Training Completions Fund
Statement of Revenue, Expenditure and Fund Balance
As at March 31, 1999

	<u>1999</u>	<u>1998</u>
REVENUE:		
Contributions	37,207	28,972
Interest Income	<u>4,950</u>	<u>2,184</u>
Total revenue	42,157	31,156
EXPENDITURES:	---	---
Fund balance, beginning of year	<u>73,797</u>	<u>42,641</u>
Fund balance, end of year (Statement 1)	<u><u>115,954</u></u>	<u><u>73,797</u></u>

(See accompanying notes to the financial statements)

TRAINING COMPLETIONS FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Purpose and Creation of the Fund

The Private Vocational Schools Training Completions Fund (Fund) was created under the *Private Vocational Schools Regulation Act, 1995*. The act was proclaimed on December 15, 1995.

The Fund is administered by the Department of Post-Secondary Education and Skills Training. The revenue of the Fund consists of monies that operators are directed by regulations to provide, donations to the Fund and earnings from the investments of the Fund. The Fund is primarily to be used to provide the financial resources necessary to continue the training of students affected by the closure of a school.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policy is considered significant.

a) Accrual basis

The financial statements are prepared on the accrual basis of accounting.

3. Related Party Transactions

The Fund has not been charged with any administrative costs and no provision for such costs is reflected in these statements. These costs are borne by the Department.

4. Due From General Revenue Fund

The monies of the Fund are deposited in the General Revenue Fund. Under this arrangement, interest is calculated on the net position of the Training Completions Fund.

The Fund's interest is received from the General Revenue Fund on a quarterly basis using the Government's thirty day borrowing rate.

5. Fair Value

Accounts receivable are short-term in nature and as such carrying value approximates fair value.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Transportation Partnerships Fund as at March 31, 1999 and the statements of income and fund balance and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Transportation Partnerships Fund as at March 31, 1999 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelieff

Regina, Saskatchewan
November 3, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

TRANSPORTATION PARTNERSHIPS FUND
BALANCE SHEET
As at March 31

	<u>1999</u>	<u>1998</u> Restated see Note 6
ASSETS		
Current Assets:		
Due from General Revenue Fund (Note 3)	\$ 818,042	\$ 1,018,802
Accounts Receivable (Net of Allowance of \$34,442)	<u>315,339</u>	<u>450,216</u>
	<u>\$ 1,133,381</u>	<u>\$ 1,469,018</u>
LIABILITIES AND FUND BALANCE		
Current Liabilities:		
Accounts Payable	\$ 100,907	\$ 552,411
Fund Balance (Statement 2)	<u>1,032,474</u>	<u>916,607</u>
	<u>\$ 1,133,381</u>	<u>\$ 1,469,018</u>

(See accompanying notes to financial statements)

Statement 2

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF INCOME AND FUND BALANCE
For The Year Ended March 31
(With comparative figures for the nine months ended March 31, 1998)

	<u>1999</u>	<u>1998</u>
Revenue		
Transportation Partnerships Agreement Revenues	\$ 938,679	\$ 1,429,912
Administrative Expense Recovery	78,157	35,487
Interest Revenue (Note 3)	<u>57,177</u>	<u>3,619</u>
Total Revenue	<u>1,074,013</u>	<u>1,469,018</u>
Expenditure		
Highway Improvement Projects	823,703	488,011
Administrative Expenses (Note 4)	100,000	64,400
Bad Debt Expense	<u>34,443</u>	<u>-</u>
Total Expenditure	<u>958,146</u>	<u>552,411</u>
Surplus for the period	115,867	916,607
Fund Balance, beginning of period	<u>916,607</u>	<u>-</u>
Fund Balance, end of period (Statement 1)	<u>\$ 1,032,474</u>	<u>\$ 916,607</u>

(See accompanying notes to financial statements)

Statement 3

TRANSPORTATION PARTNERSHIPS FUND
STATEMENT OF CASH FLOWS
For the Year Ended March 31
(With comparative figures for the nine months ended March 31, 1998)

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Cash receipts from transportation companies	\$ 1,117,270	\$ 1,015,183
Interest received	57,177	3,619
Cash paid for highway improvement projects	(1,310,807)	-
Cash paid for administration	<u>(64,400)</u>	<u>-</u>
Net (decrease)increase in cash and cash equivalents	(200,760)	1,018,802
Due from General Revenue Fund, beginning of period	<u>1,018,802</u>	<u>-</u>
Due from General Revenue Fund, end of period	<u>\$ 818,042</u>	<u>\$ 1,018,802</u>

(See accompanying notes to financial statements)

TRANSPORTATION PARTNERSHIPS FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Authority and Definition of Entity

The Transportation Partnerships Fund was established effective July 1, 1997 pursuant to Section 8 of *The Highways and Transportation Act, 1997*. The purpose of the Fund is to:

- a) perform the obligations of the minister pursuant to a transportation partnership agreement;
- b) to develop, promote, market, and provide transportation technology, expertise, goods and services inside and outside Saskatchewan; and
- c) to construct public improvements.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with generally accepted accounting principles. The following accounting principles are considered significant.

a) **Basis of Accounting**

The financial statements have been prepared using the accrual basis of accounting.

b) **Revenue Recognition**

Revenues from transportation partnership agreements are recognized by the Fund as the transportation companies achieve cost savings from being permitted to haul overweight and/or over dimension loads.

c) **Cash and cash equivalents consist of amounts on deposit with the General Revenue Fund.**

3. Due from General Revenue Fund

The monies of the Transportation Partnerships Fund are deposited in the General Revenue Fund. Under this arrangement, earned interest is calculated and paid by the General Revenue Fund on the net position of the Transportation Partnerships Fund on a quarterly basis using the Government's thirty day borrowing rate and the Transportation Partnerships Fund's average daily bank account balance.

4. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related as they are controlled by the Government. These financial statements include transactions with other Government agencies. These transactions are in the normal course of operations and are recorded at agreed upon exchange amounts.

At year-end, the Fund owed \$100,000 (1998 - \$64,400) to the Department of Highways and Transportation General Revenue Fund for salary and administrative expenses. In accordance with established government practice, the Fund has not been charged with certain other costs and therefore no provision for such costs is reflected in these financial statements.

Transportation Partnerships Agreement Revenues include \$129,964 (1998 - \$59,037), from SaskPower, a related party, pursuant to a transportation partnership agreement between the Fund and SaskPower. At year-end, SaskPower owed the fund \$30,000 (1998 - \$15,000).

The Fund earned interest income of \$57,177 (1998 - \$3,619) on monies deposited in the General Revenue Fund. At year-end, the Fund had monies deposited in the General Revenue Fund totaling \$818,042 (1998 - \$1,018,802).

5. Comparison of Planned and Actual Results

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUE</u>			
Transportation Partnership Agreements	\$1,057,250	\$ 938,679	(\$ 118,571)
Other Revenue	20,000	78,157	58,157
Interest Revenue	<u>35,000</u>	<u>57,177</u>	<u>22,177</u>
	\$1,112,250	\$1,074,013	(\$ 38,237)
<u>EXPENDITURES</u>			
Highway Improvement Projects	\$ 980,000	\$ 823,703	\$ 156,297
Other Transportation Initiatives	128,800	0	128,800
Administrative Expenses	151,500	100,000	51,500
Bad Debt Expense	<u>0</u>	<u>34,443</u>	(34,443)
	<u>\$1,260,300</u>	<u>\$ 958,146</u>	<u>\$ 302,154</u>
SURPLUS (DEFICIT) FOR THE YEAR	<u>(\$ 148,050)</u>	<u>\$ 115,867</u>	<u>\$ 263,917</u>

6. Comparative Figures

Certain 1998 figures have been restated. The impact of the restatement on the 1998 financial statement figures is to increase Due from General Revenue Fund and Accounts Payable figures by \$64,400.

AUDITOR'S REPORT

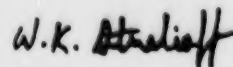
To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the University of Regina Crown Foundation as at April 30, 1998 and the statement of operations and changes in net assets for the year then ended. The University of Regina Crown Foundation's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University of Regina Crown Foundation as at April 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
May 22, 1998



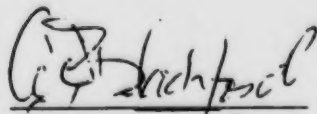
W. K. Strelieff, CA
Provincial Auditor

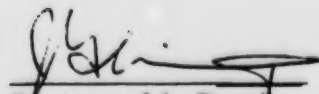
Statement 1

UNIVERSITY OF REGINA CROWN FOUNDATION
STATEMENT OF FINANCIAL POSITION
As at April 30

	<u>1998</u>	<u>1997</u>
Assets		
Cash	\$ <u>NIL</u>	\$ <u>117,166</u>
Net assets (Statement 2)	\$ <u>NIL</u>	\$ <u>117,166</u>

On behalf of the Board of Trustees


Chairperson of the Board


Secretary of the Board

(See accompanying notes to the financial statements)

Statement 2

UNIVERSITY OF REGINA CROWN FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
For the year ended April 30

	<u>1998</u>	<u>1997</u>
Revenues		
Donations	\$ NIL	\$ 115,000
Interest income	<u> 564</u>	<u> 4,705</u>
	564	119,705
Expenses		
Disbursements to the University of Regina	<u> 117,730</u>	<u> 255,136</u>
(Deficiency) of revenues over expenses	<u> (117,166)</u>	<u> (135,431)</u>
Net assets, beginning of year	<u> 117,166</u>	<u> 252,597</u>
Net assets, end of year - to Statement 1	<u>\$ NIL</u>	<u>\$ 117,166</u>

(See accompanying notes to the financial statements)

UNIVERSITY OF REGINA CROWN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
April 30, 1998

1. Authority

The University of Regina Crown Foundation is incorporated under *The Crown Foundation Act* pursuant to Order in Council 842/94 effective December 15, 1994. As an agent of the Crown in right of the province, donations to the Foundation qualify under the *Income Tax Act* for a tax credit in the case of individuals and for a deduction in the case of corporations.

The purpose of the Foundation is to receive gifts of real and personal property, including money, and to provide grants and transfers of real and personal property to the University of Regina for the purpose of supporting and promoting its education or research activities.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant.

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

3. Related Party Transactions

Saskatchewan Crown controlled departments and agencies are related to the Foundation.

The University of Regina is also related to the Foundation through representation on the Foundation's Board of Trustees. The University of Regina provides management services to the Foundation without charge, therefore, no provision for such costs is reflected in these financial statements.

AUDITOR'S REPORT

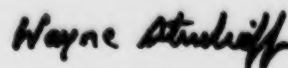
To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the University of Saskatchewan Crown Foundation as at April 30, 1998 and the statements of operations and changes in net assets and changes in financial position for the year ended April 30, 1998. The University of Saskatchewan Crown Foundation's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the University of Saskatchewan Crown Foundation as at April 30, 1998 and the results of its operations and the changes in its financial position for the year ended April 30, 1998 in accordance with generally accepted accounting principles.

Regina, Saskatchewan
July 22, 1998



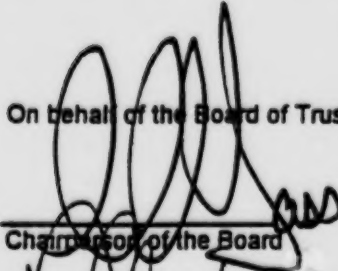
W. K. Strehl, CA
Provincial Auditor

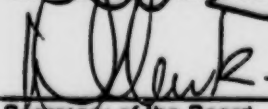
Statement 1

UNIVERSITY OF SASKATCHEWAN CROWN FOUNDATION
STATEMENT OF FINANCIAL POSITION
As at April 30

	1998	1997
		Restated
Assets		
Cash	\$ 334,362	\$ 330,740
Works of art	<u>136,250</u>	<u>136,250</u>
	<u>\$ 470,612</u>	<u>\$ 466,990</u>
Net assets (Statement 2)	<u>\$ 470,612</u>	<u>\$ 466,990</u>

On behalf of the Board of Trustees


Chairperson of the Board


Secretary of the Board

(See accompanying notes to the financial statements)

Statement 2

THE UNIVERSITY OF SASKATCHEWAN CROWN FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended April 30

	1998	1997
	<u> </u>	<u>Restated</u>
Revenues		
Donations	\$ 131,371	\$ 553,042
Interest	<u>13,775</u>	<u>15,807</u>
	<u>145,146</u>	<u>568,849</u>
Expenses		
Transfer to University of Saskatchewan	120,000	409,500
Insurance policy premiums (Note 3)	21,371	21,542
Miscellaneous	153	1,067
	<u>141,524</u>	<u>432,109</u>
Excess of revenues over expenses	3,622	136,740
Net assets, beginning of year (Note 5)	<u>466,990</u>	<u>330,250</u>
Net assets, end of year - to Statement 1	<u><u>\$ 470,612</u></u>	<u><u>\$ 466,990</u></u>

(See accompanying notes to the financial statements)

Statement 3

UNIVERSITY OF SASKATCHEWAN CROWN FOUNDATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended April 30

	<u>1998</u>	<u>1997</u>
Cash provided by (used in):		
Operating activity:		
Excess of revenue over expenditure	\$ <u>3,622</u>	\$ <u>136,740</u>
Net increase in cash position during the year	3,622	136,740
Cash, beginning of year	<u>330,740</u>	<u>194,000</u>
Cash, end of year	\$ <u><u>334,362</u></u>	\$ <u><u>330,740</u></u>

(See accompanying notes to the financial statements)

**THE UNIVERSITY OF SASKATCHEWAN CROWN FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS**

April 30, 1998

1. Authority and Purpose

The University of Saskatchewan Crown Foundation (Foundation) is incorporated under *The Crown Foundation Act* pursuant to Order in Council 842/94 effective December 15, 1994. As an agent of the Crown in the right of the province, donations to the Foundation qualify under the *Income Tax Act* for a tax credit in the case of individuals and for a deduction in the case of corporations.

The purpose of the Foundation is to receive gifts of real and personal property, including money, and to provide grants and transfers of real and personal property to the University of Saskatchewan (University) for the purpose of supporting and promoting its education or research activities. The Foundation began operations on December 20, 1995.

2. Significant Accounting Policies

These financial statements are prepared in accordance with generally accepted accounting principles. The following accounting policies are considered significant:

a) Accrual Basis

The financial statements are prepared on the accrual basis of accounting.

b) Donations and Pledges

Donations are recorded as revenue in the fiscal period in which they are received. Gifts in Kind are recorded at fair market value on the date of their donation.

Pledges made by donors for donations to be received in future years are not recorded in the financial statements.

3. Life Insurance Premiums

Life insurance premiums may be paid by individuals directly or through a donation to the Foundation for life insurance policies naming the Foundation as the beneficiary. The premiums are included in both revenue and expenses.

4. Related Party Transactions

These financial statements include transactions with related parties. The Foundation is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Crown Foundation is related to non-Crown enterprises that the Government jointly controls or significantly influences.

The University of Saskatchewan is related to the Foundation. The Foundation has negotiated a service agreement with the University to provide certain administrative and management services to the Foundation without charge, therefore, no provision for such costs is reflected in these financial statements.

The Foundation has arranged with the University to invest the Foundation's cash as part of the University's short-term investment pool. Interest income is allocated by the University to the Foundation based on its level of participation in the investment pool.

During the year, a \$10,000 undesignated 1996 donation made by one of the Foundation's trustees was released to the University of Saskatchewan.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

5. Net assets as at May 1, 1996 are increased by \$136,250 from \$194,000 to \$330,250 to record works of art donated to the Foundation in 1995 that was previously unrecorded. The amount of the increase reflects the fair market value of the donated works of art at the time the Foundation received the works of art.

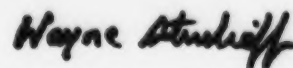
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Victims' Fund as at March 31, 1999 and the statement of operations and changes in net assets and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
November 5, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

**DEPARTMENT OF JUSTICE
VICTIMS' FUND
STATEMENT OF FINANCIAL POSITION
As at March 31**

	<u>1999</u>	<u>1998</u>
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ASSETS**Current assets:**

Due from General Revenue Fund (Note 5)	\$ 77,724	\$ 51,079
Investments (Notes 2 and 3)	3,595,545	3,708,089
Accounts receivable (Note 6)	<u>885,672</u>	<u>542,655</u>

Total current assets	4,558,941	4,301,823
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Capital assets (Note 7)	<u>13,700</u>	<u>22,637</u>
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	<u><u>\$ 4,572,641</u></u>	<u><u>\$ 4,324,460</u></u>
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NET ASSETS**Current liabilities:**

Accounts payable	\$ 26,362	\$ 7,164
Employee leave entitlement	<u>4,804</u>	<u>5,176</u>

Total current liabilities	31,166	12,340
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Net assets (Statement 2)	<u>4,541,475</u>	<u>4,312,120</u>
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	<u><u>\$ 4,572,641</u></u>	<u><u>\$ 4,324,460</u></u>
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(See accompanying notes to the financial statements)

Statement 2

**DEPARTMENT OF JUSTICE
VICTIMS' FUND
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
For the Year Ended March 31**

	<u>Budget</u>	<u>Actual</u>	
	1999	1999	1998
	(Note 8)		
Revenue:			
Surcharge revenue	\$ 2,000,000	\$ 2,553,522	\$ 1,925,797
Investment income	380,000	437,456	501,309
Other	<u>5,000</u>	<u>17,399</u>	<u>14,713</u>
Total revenue	<u>2,385,000</u>	<u>3,008,377</u>	<u>2,441,819</u>
Expense:			
Administration costs	328,000	397,664	309,910
Crisis intervention services	1,116,000	1,116,918	1,169,113
Court based programs	234,000	191,457	186,965
Compensation payments	300,000	305,162	228,107
Restitution program	135,000	127,775	120,480
Research and education	460,000	267,562	192,255
Special projects	165,000	154,454	359,718
Bad debts	<u>---</u>	<u>218,030</u>	<u>253,443</u>
Total expense (Schedule 1)	<u>\$ 2,738,000</u>	<u>2,779,022</u>	<u>2,819,991</u>
Excess (deficiency) of revenue over expense		229,355	(378,172)
Net asset balance, beginning of year		<u>4,312,120</u>	<u>4,690,292</u>
Net asset balance, end of year to Statement 1		<u>\$ 4,541,475</u>	<u>\$ 4,312,120</u>

(See accompanying notes to the financial statements)

Statement 3

**DEPARTMENT OF JUSTICE
VICTIMS' FUND
STATEMENT OF CASH FLOWS
For the Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Cash provided by (used in):		
Operating Activities:		
Excess (deficiency) of revenue over expense	\$ 229,355	\$ (378,172)
Add items not affecting cash:		
Amortization expense	12,491	13,408
Changes in non-cash working capital:		
(Increase) in accounts receivable	(343,017)	(107,625)
Increase (decrease) in accounts payable	19,198	(10,331)
(Decrease) increase in employee leave entitlement	<u>(372)</u>	<u>84</u>
Cash provided by (used in) operations	<u>(82,345)</u>	<u>(482,636)</u>
Investing Activities:		
Sale (purchase) of investments	112,544	(143,494)
Purchase of equipment	<u>(3,554)</u>	<u>(22,847)</u>
Cash provided by (used in) investing	<u>108,990</u>	<u>(166,341)</u>
Increase (decrease) in cash position during the year	26,645	(648,977)
Cash position, beginning of year	<u>51,079</u>	<u>700,056</u>
Cash position, end of year (Due from General Revenue Fund)	<u>\$ 77,724</u>	<u>\$ 51,079</u>

(See accompanying notes to the financial statements)

**DEPARTMENT OF JUSTICE
VICTIMS' FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Authority

The Victims' Fund (Fund) was established by *The Victims of Crime Act* as amended April 1, 1992, and continues under the authority of *The Victims of Crime Act, 1995 (Act)*. The Fund receives all provincial and federal fine surcharges assessed under the Act and under the Criminal Code. The Act permits expenditures from the Fund to promote and deliver services and benefits to victims; to conduct research and to distribute information respecting victims' services, needs and concerns; and for crime prevention and administration.

2. Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles. The significant accounting policies are as follows:

a) Accrual Accounting

The financial statements are prepared on the accrual basis.

b) Investments

The Fund invests a portion of its surplus funds with the Public Trustee for Saskatchewan. The Public Trustee invests these monies, together with monies it administers for its other clients, in a common fund. Income earned in the common fund, together with part of the change in market values of common fund investments, is allocated annually to clients, including Victims' Fund. The change in market value of common fund investments is allocated equally over four years.

The Fund records amounts allocated to it by Public Trustee as income or loss and adjusts the carrying value of its investment by the same amount. Fair value approximates the carrying value of investments.

c) Capital Assets

Capital assets acquired before March 31, 1997, that have a value greater than \$500 and a useful life greater than one year are capitalized and amortized on a straight-line basis over five years. Capital assets acquired after March 31, 1997, that have a value greater than \$500 and a useful life greater than one year are capitalized and amortized on a straight-line basis over three years.

d) Revenue Recognition

The Fund recognizes revenue when received or receivable.

3. Financial Instruments

The Fund has the following financial instruments: due from General Revenue Fund, investments, accounts receivable, and accounts payable. The following paragraphs disclose the significant aspects of these financial instruments.

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on cash flows, financial position and income.

The Fund is exposed to interest rate risk when the value of its financial instruments fluctuate due to changes in market interest rates.

The Fund's receivables and payables are non-interest bearing. Due to the short-term nature of these, interest rate risk is minimal.

As market interest rates fluctuate the market value of fixed income investments moves in the opposite direction. This risk may affect the price the Fund can sell the investments for prior to maturity.

b) Credit risk

The Fund is exposed to credit risk from potential non-payment of amounts due from General Revenue Fund, accounts receivable or investment income and principal.

The Fund's accounts receivable arise from fine surcharges assessed against individuals. Credit risk associated with accounts receivable relates to unpaid fine surcharges. The amount of fines which will eventually be collected is difficult to measure. The amount at which accounts receivable are stated in the financial statements is an estimate of fines which will be collected, based on past experience.

The Fund's investments consist of government and government guaranteed bonds, corporate bonds, and shares in Canadian and foreign companies. Credit risk is minimal for government and government guaranteed bonds. Credit risk for corporate bonds is related to investees' abilities to redeem their bonds upon maturity. The Fund limits the credit risk by investing in securities considered to be high quality.

c) Fair Value

For the following financial instruments, the carrying amounts approximate fair value due to their immediate or short-term nature:

Due from General Revenue Fund
Accounts receivable
Accounts payable

The fair value of investments at March 31, 1999 is \$3,595,545 (1998 - \$3,708,089).

4. Related Parties

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan, and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

The Fund received certain administrative services from the Departments of Justice and Finance without charge.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements.

5. Due from General Revenue Fund

The monies of the Fund are deposited in the General Revenue Fund.

The Fund's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Fund using the Government's thirty day borrowing rate and the Fund's average daily bank account balance. The Government's average thirty day borrowing rate for 1998/99 is 5.04% (1997/98 - 3.77%). Interest earned for the year was \$9,247 (1998 - \$7,815).

6. Accounts Receivable

This amount represents surcharges due to the Fund on account of fines levied against, but not yet paid, by individuals and miscellaneous receivables. The balance at March 31 consists of:

	<u>1999</u>	<u>1998</u>
Surcharge receivable	\$ 1,881,571	\$ 1,441,496
Allowance for doubtful accounts	<u>(1,123,731)</u>	<u>(905,701)</u>
Net Surcharge Receivable	757,840	535,795
Department of Justice	80,700	—
Miscellaneous	<u>47,132</u>	<u>6,860</u>
Total accounts receivable	<u>\$ 885,672</u>	<u>\$ 542,655</u>

7. Capital Assets

	1999		1998
	Cost	Accumulated Depreciation	Net Book Value
Equipment	\$ 59,137	\$ 45,437	\$ 13,700
			\$ 22,637

8. Budget

These amounts represent the budget approved by management.

9. Uncertainty due to the Year 2000 Issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 is processed. In addition similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant system failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 issue affecting the Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Schedule 1

**DEPARTMENT OF JUSTICE
VICTIMS' FUND
SCHEDULE OF EXPENSE BY OBJECT
For the Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Expense:		
Community grants	\$ 1,427,612	\$ 1,486,655
Salaries	603,434	536,483
Bad debts	218,030	253,443
Contractual services	74,521	132,700
Compensation awards	305,162	228,107
Administration	123,767	137,791
Victim/witness rooms/softrooms	4,933	6,525
Systems expenses	9,072	24,879
Amortization	<u>12,491</u>	<u>13,408</u>
	<u>\$ 2,779,022</u>	<u>\$ 2,819,991</u>



KPMG LLP
Chartered Accountants

AUDITORS' REPORT TO THE BOARD

We have audited the balance sheet of Wanuskewin Heritage Park Corporation as at March 31, 1999 and the statements of operations and general fund balance and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Saskatoon, Saskatchewan
May 21, 1999



KPMG is a Canadian owned limited liability partnership established under the laws of Ontario. It is a member firm of KPMG International, a Swiss association.

WANUSKEWIN HERITAGE PARK CORPORATION

Balance Sheet

March 31, 1999, with comparative figures for 1998

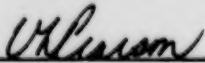
	1999	1998
Assets		
Current assets:		
Accounts receivable	\$ 95,890	\$ 118,174
Prepaid expenses	16,991	42,908
	112,881	161,082
Capital assets (note 4)	7,805,079	8,290,108
Due from Wanuskewin Indian Heritage Inc.	218,941	218,841
	\$ 8,136,901	\$ 8,670,031

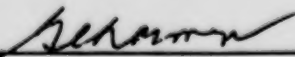
Liabilities and Fund Balances

Current liabilities:		
Outstanding cheques less cash in bank	\$ 16,044	\$ 39,594
Line of credit (note 4)	316,462	282,286
Accounts payable and accrued liabilities	250,744	117,450
	583,250	439,330
Deferred capital fundraising	-	57,299
Deferred contributions related to capital assets (note 5)	7,345,747	7,844,193
Fund balances:		
Contribution related to land	434,006	434,006
General	(226,102)	(104,797)
	207,904	329,209
Going concern (note 2)		
Commitment (note 8)		
	\$ 8,136,901	\$ 8,670,031

See accompanying notes to financial statements.

On behalf of the Board:


 _____ Director


 _____ Director

WANUSKEWIN HERITAGE PARK CORPORATION

Statement of Operations and General Fund Balance

Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
Revenue:		
Grants	\$ 742,487	\$ 732,883
Amortization of deferred contributions	498,446	495,741
Programs and other	240,313	112,841
Admission fees and memberships	137,721	146,472
Donations	77,741	1,697
Occupancy and rental	25,773	25,595
	<u>1,722,481</u>	<u>1,515,229</u>
Expenses:		
Programs	541,707	391,254
Depreciation and amortization	503,332	499,884
Executive	321,563	275,858
Resource management	200,907	230,633
Marketing	133,778	131,368
Corporate development	132,556	78,314
Human resource development	9,943	3,699
	<u>1,843,786</u>	<u>1,611,010</u>
Excess of expenses over revenue	(121,305)	(95,781)
General fund balance, beginning of year	(104,797)	(9,016)
General fund balance, end of year	<u>\$ (226,102)</u>	<u>\$ (104,797)</u>

See accompanying notes to financial statements.

WANUSKEWIN HERITAGE PARK CORPORATION

Statement of Cash Flows

Year ended March 31, 1999, with comparative figures for 1998

	1999	1998
Cash provided by (used in):		
Operations:		
Excess of expenses over revenue	\$ (121,305)	\$ (95,781)
Items not requiring (providing) an outlay of cash:		
Depreciation and amortization	503,332	499,884
Amortization of deferred contributions	(498,446)	(495,741)
Deferred grants for capital asset purchases	(57,299)	-
Change in non-cash operating working capital:		
Accounts receivable	22,284	(63,329)
Prepaid expenses	25,917	(28,879)
Accounts payable and accrued liabilities	133,294	1,824
	7,777	(182,022)
Investing:		
Purchase of capital assets	(18,303)	(10,795)
Financing:		
Advances to Wanuskewin Indian Heritage Inc.	(100)	2,045
Decrease in cash position	(10,626)	(190,772)
Cash position, beginning of year	(321,880)	(131,108)
Cash position, end of year	\$ (332,506)	\$ (321,880)

Cash position consists of outstanding cheques less cash in bank and line of credit.

See accompanying notes to financial statements.

WANUSKEWIN HERITAGE PARK CORPORATION

Notes to Financial Statements

Year ended March 31, 1999

1. Purpose of Wanuskewin Heritage Park Corporation:

Wanuskewin Heritage Park Corporation ("WHPC") was established to operate the Wanuskewin Heritage Park which commenced full time commercial operations on June 1, 1992. WHPC is a registered charity (#0913384-52).

2. Going concern:

WHPC has incurred significant operating losses in each of the past two years which has resulted in a working capital deficiency which has been financed by an operating line of credit and trade creditors. Lenders have allowed WHPC to temporarily exceed the approved line of credit (note 4). Certain suppliers have ceased to provide credit to WHPC until outstanding balances have been repaid. WHPC has also been informed that annual grant funding from the City of Saskatoon will be reduced from \$240,000 per year to \$50,000 per year in gradual steps over the next seven years. Management has indicated that negotiations with lenders are ongoing to refinance the existing line of credit. In addition, WHPC is working on a fundraising campaign and is negotiating with a number of funding agencies to increase grant funding.

Notwithstanding the effect of these events, the financial statements have been prepared on a going concern basis which assumes the realization of assets and liquidation of liabilities in the normal course of business. The application of the going concern concept is dependent on WHPC's ability to generate future profitable operations and refinance existing current liabilities under favourable trade terms.

3. Significant accounting policies:

(a) Revenue and expense recognition:

Revenue and expenses are recorded in the financial statements on the accrual basis. Under this method revenue is recognized in the fiscal period during which it becomes receivable. Expenses are recorded when goods or services are received.

WANUSKEWIN HERITAGE PARK CORPORATION

Notes to Financial Statements

Year ended March 31, 1999

3. Significant accounting policies (continued):

(b) Capital assets and deferred contributions:

Capital assets are stated at cost and depreciated over the estimated useful lives of the assets on a straight-line basis at the following rates:

Asset	Rate
Equipment	10%
Vehicles	20%
Buildings and site development	4%

Funding, consisting mainly of grants and donations, received for capital asset acquisitions is deferred and amortized on the same basis as the asset to which it relates is depreciated.

(c) Deferred grants for capital asset purchases:

Funds were received by the corporation which were designated by the contributor for future capital acquisitions and were deferred until capital assets were acquired. Once capital assets were acquired, the related deferred revenue was allocated to deferred contributions related to capital assets.

During the year, the restrictions on these funds were removed by the contributor and the remaining deferred revenue balance was recognized as grant revenue in the statement of operations.

(d) Estimates:

The financial statements are prepared by management in accordance with generally accepted accounting principles. Management makes various estimates and assumptions in determining the reported amounts of assets and liabilities, revenues and expenses for each year presented. Changes in estimates and assumptions will occur based on the passage of time and the occurrence of certain future events.

WANUSKEWIN HERITAGE PARK CORPORATION

Notes to Financial Statements

Year ended March 31, 1999

4. Capital assets:

			1999	1998
	Cost	Accumulated depreciation	Net book value	Net book value
Park site:				
Land	\$ 434,006	\$ -	\$ 434,006	\$ 434,006
Buildings and site development	9,004,389	2,461,202	6,543,187	6,903,363
	9,438,395	2,461,202	6,977,193	7,337,369
Park site - Phase II:				
Site improvements and interpretive displays	1,196,180	426,518	769,662	901,318
Other:				
Equipment and vehicles	113,474	55,250	58,224	51,421
	\$ 10,748,049	\$ 2,942,970	\$ 7,805,079	\$ 8,290,108

A lender to Wanuskewin Indian Heritage Inc. ("WIHI") has a specific assignment of interest in land and buildings leased by WHPC to WIHI for a loan in the amount of \$156,005 at March 31, 1999.

5. Line of credit:

Peace Hills Trust \$250,000 line of credit facility due June 30, 1999 bears interest at prime plus 2% and is secured by a general security agreement. At March 31, 1999, WHPC exceeded this limit by \$66,462. The amount in excess of the credit facility bears interest at 24%.

WANUSKEWIN HERITAGE PARK CORPORATION

Notes to Financial Statements

Year ended March 31, 1999

6. Deferred contributions related to capital assets:

	Contributions	Accumulated Amortization	1999 Net Book Value	1998 Net Book Value
Park site:				
Buildings and site development	\$ 9,004,379	\$ 2,461,202	\$ 6,543,177	\$ 6,903,353
Park site - Phase II:				
Site improvements and interpretive displays	1,196,179	426,517	769,662	901,317
Other:				
Equipment and vehicle	60,213	27,305	32,908	39,523
	\$ 10,260,771	\$ 2,915,024	\$ 7,345,747	\$ 7,844,193

7. Related party transactions:

During the year WHPC had the following transactions with Wanuskewin Indian Heritage Inc. ("WIHI"):

Accounting recovery	\$ 15,000
Other expenses	(4,900)
Operating grant paid	(10,000)

WHPC provides space to WIHI for the operation of a restaurant and gift shop for which no charges were made in 1999.

The amount due from Wanuskewin Indian Heritage Inc. is non-interest bearing with no fixed repayment terms. Due to the non-arm's length relationship between the parties, the fair market value of this receivable is not readily determinable.

8. Commitment:

WHPC is committed to expenditures of \$45,000 from future net profits generated on Aboriginal Awareness training programs.

WANUSKEWIN HERITAGE PARK CORPORATION

Notes to Financial Statements

Year ended March 31, 1999

9. Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

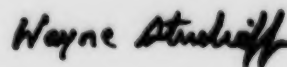
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Water Appeal Board as at March 31, 1999 and the statement of operations and net assets for the year then ended. The Board's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
May 26, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

**WATER APPEAL BOARD
STATEMENT OF FINANCIAL POSITION
As at March 31**

	<u>1999</u>	<u>1998</u>
ASSETS		
Current assets:		
Cash	\$ 22,138	\$ 57,602
Accrued interest	<u>86</u>	<u>262</u>
	22,224	57,864
Capital assets (Note 3)	<u>3,196</u>	<u>4,863</u>
	<u><u>\$ 25,420</u></u>	<u><u>\$ 62,727</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 8,812	\$ 140
Appellant deposits (Note 4)	<u>6,000</u>	<u>4,900</u>
	14,812	5,040
Net assets (Statement 2)	<u>10,608</u>	<u>57,687</u>
	<u><u>\$ 25,420</u></u>	<u><u>\$ 62,727</u></u>

(See accompanying notes to the financial statements)

Statement 2

WATER APPEAL BOARD
STATEMENT OF OPERATIONS AND NET ASSETS
For the Year Ended March 31

	1999	1998
	<u>Budget</u>	<u>Actual</u>
Revenues:		
Grant from Department of Environment and Resource Management - General Revenue Fund	\$ 35,000	\$ 64,000
Transcript fees	2,373	3,207
Interest	2,194	2,738
Appellant fees (Note 4)	1,900	1,800
Other	<u>31</u>	<u>---</u>
	<u>41,498</u>	<u>71,745</u>
Expenses:		
Board honorariums	\$ 30,000	26,128
Travel and sustenance	20,000	18,253
Secretarial services	15,000	17,280
Professional fees	12,000	7,750
Office supplies (including postage, photocopying)	6,000	4,937
Meeting room rental	5,000	4,034
Transcript fees	1,000	2,511
Office rental	2,500	2,443
Telephone	3,000	2,366
Amortization of capital assets	---	1,667
Accounting and printing services	1,500	1,168
Other	<u>1,000</u>	<u>40</u>
	<u>\$ 97,000</u>	<u>88,577</u>
Deficit for the year	47,079	17,608
Net assets, beginning of year	<u>57,687</u>	<u>75,295</u>
Net assets, end of year - to Statement 1	<u>\$ 10,608</u>	<u>\$ 57,687</u>

(See accompanying notes to the financial statements)

WATER APPEAL BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Authority

The Water Appeal Board was established under *The Water Appeal Board Act*, on July 1, 1984. The purpose of the Board is to hear and determine appeals made to it pursuant to *The Water Corporation Act*.

2. Significant Accounting Policies

These financial statements have been prepared using generally accepted accounting principles. The following accounting policies are considered significant.

a) Grant from the General Revenue Fund

Grant from the General Revenue Fund is recognized when appropriated and received.

b) Capital assets

Capital assets are recorded at cost and amortized over their useful lives. Amortization of equipment is calculated on a straight-line basis over three years.

3. Capital Assets

	Cost		Accumulated Amortization		Net Book Value	
	1999	1998	1999	1998	1999	1998
Equipment	<u>\$ 9,514</u>	<u>\$ 14,190</u>	<u>\$ 6,318</u>	<u>\$ 9,327</u>	<u>\$ 3,196</u>	<u>\$ 4,863</u>

4. Appellant Deposits

Appellant deposits are held by the Board until the appeal has been heard and the decision rendered. Once the decision has been rendered by the Board these deposits are dealt with in one of two manners:

- i) The deposit is returned to the appellant if he/she has been successful in his/her appeal.
- ii) The deposit is retained by the Board and recorded as income if the appellant is not successful in his/her appeal.

At year end, the Board had 30 outstanding appeals.

5. Financial Instruments

The Board's financial instruments include cash, accrued interest, accounts payable and appellant deposits. The fair value of these instruments approximates their carrying value due to the immediate or short-term nature of these financial instruments.

6. Statement of Cash Flows

A cash flow statement has not been provided since cash flow information is readily apparent from the other financial statements.

7. Related Party Transactions

These financial statements include transactions with related parties. The Board is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Board is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. Routine related party transactions included expenses totalling \$4,689 (1998 - \$4,732) and account payables at March 31, 1999 of \$420 (1998 - \$127).

The Board pays Saskatchewan Education and Health tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

8. Comparative Figures

Certain comparative figures have been reclassified to conform to current year presentation.

SASKATCHEWAN WORKERS' COMPENSATION BOARD

**Deloitte &
Touche****AUDITORS' REPORT**

To the Members of the Workers' Compensation Board (Saskatchewan)

We have audited the statement of financial position of the Workers' Compensation Board (Saskatchewan) as at December 31, 1998 and the statements of operations and injury fund and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Workers' Compensation Board as at December 31, 1998 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Canada

March 23, 1999

SASKATCHEWAN WORKERS' COMPENSATION BOARD

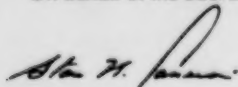
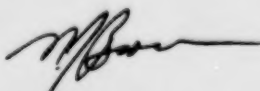
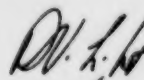
STATEMENT OF FINANCIAL POSITION

Year ended December 31, 1998 with comparative figures for 1997

	1998	1997
	(thousands of dollars)	
Assets		
Cash and short-term investments	\$ 65,003	\$ 62,476
Accounts receivable	13,964	16,119
Accrued interest	5,731	6,264
Investments (note 3)	716,510	631,507
Capital assets (note 4)	30,999	31,308
	<u>\$832,207</u>	<u>\$747,674</u>
Liabilities, Reserves and Injury Fund		
Liabilities:		
Accounts payable (note 5)	\$ 53,472	\$ 24,339
Benefits liabilities (note 8)	575,823	556,740
Annuity fund payable	59,028	52,094
	<u>688,323</u>	<u>633,173</u>
Reserves and Injury Fund (note 6)	143,884	114,501
Commitments (note 9)		
	<u>\$832,207</u>	<u>\$747,674</u>

See accompanying notes to financial statements.

On behalf of the Board:


Stan Cameron
Chairman

Norm Brown
Board Member

Darlene Light
Board Member

SASKATCHEWAN WORKERS' COMPENSATION BOARD

STATEMENT OF OPERATIONS AND INJURY FUND**Year ended December 31, 1998 with comparative figures for 1997**

	1998	1997
	<i>(thousands of dollars)</i>	
Revenue:		
Premiums (note 7)	\$146,415	\$169,878
Investment income	<u>78,816</u>	<u>67,071</u>
	<u>225,231</u>	<u>236,949</u>
Expenses:		
Compensation (note 8)	103,300	98,355
Administration (Schedule 1)	32,274	29,340
Medical aid	29,398	26,381
Occupational Health & Safety	4,630	4,065
Vocational rehabilitation	2,512	2,276
Worker's Advocate	492	436
Prevention Services	242	-
Committee of Review	<u>-</u>	<u>75</u>
	<u>172,848</u>	<u>160,928</u>
Operating Income	52,383	76,021
Injury Fund, beginning of year (note 6)	<u>24,501</u>	<u>9,743</u>
	76,884	85,764
Appropriation to reserves (note 6)	(29,787)	(61,263)
Declared Employer Rebate (note 7)	<u>(23,000)</u>	<u>-</u>
Injury Fund, end of year (note 6)	<u>\$ 24,097</u>	<u>\$ 24,501</u>

See accompanying notes to financial statements.

SASKATCHEWAN WORKERS' COMPENSATION BOARD

STATEMENT OF CHANGES IN FINANCIAL POSITION**Year ended December 31, 1998 with comparative figures for 1997**

	1998	1997
	<i>(thousands of dollars)</i>	
Cash provided by (used in):		
Operating activities:		
Net income	\$ 29,383	\$ 76,021
Items not affecting cash:		
Amortization of capital assets	4,803	5,507
Amortization of gains and losses on the sale of investments	(11,427)	(11,575)
Annuity fund payable	6,934	7,834
Benefits liabilities	19,083	15,110
Declared Employer Rebate	<u>23,000</u>	<u>-</u>
	<u>71,776</u>	<u>92,897</u>
Net changes in non-cash operating items:		
Accounts receivable	2,155	(1,973)
Accrued interest	533	(46)
Accounts payable	<u>6,133</u>	<u>2,067</u>
	<u>80,597</u>	<u>92,945</u>
Investing activities:		
Acquisition of capital assets	(4,494)	(4,248)
Purchase of investments	(1,041,785)	(727,476)
Proceeds from disposal of investments	<u>968,209</u>	<u>634,084</u>
	<u>(78,070)</u>	<u>(97,640)</u>
Increase (decrease) in cash during the year	2,527	(4,695)
Cash and short-term investments, beginning of year	<u>62,476</u>	<u>67,171</u>
Cash and short-term investments, end of year	<u>\$ 65,003</u>	<u>\$ 62,476</u>
Comprised of:		
Cash less outstanding cheques	\$ (1,048)	\$ (900)
Short-term investments	<u>66,051</u>	<u>63,376</u>
	<u>\$ 65,003</u>	<u>\$ 62,476</u>

See accompanying notes to financial statements.

SASKATCHEWAN WORKERS' COMPENSATION BOARD

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

1 Status of the Board:

The Workers' Compensation Board operates under the authority of The Workers' Compensation Act, 1979, Statutes of Saskatchewan (the Act).

In accordance with the provisions of the Act, the Board's general powers and purposes are to provide workers' compensation insurance to Saskatchewan workers and employers.

The Board maintains an injury fund representing all funds collected and expenses incurred to administer the Act.

2 Significant Accounting Policies:*Investments*

- (i) Short-term investments are recorded at cost.
- (ii) Bonds and debentures are recorded at cost with any discount or premium amortized on a straight-line basis over the period remaining to the maturity date of the investment.
- (iii) Equities, pooled equity funds and real estate are valued using a five-year moving average of market values, thereby allowing for a gradual movement toward current market values.
- (iv) Mortgages are recorded at cost and the principal is reduced by principal repayments throughout the year.
- (v) Gains or losses on the sale of investments are amortized to revenue. The amortization period for equities is five years and for bonds and debentures it is over the remaining period to maturity of the security sold.
- (vi) A decline in market value, of the investment portfolio, which is considered other than temporary is recognized immediately.

Capital Assets

Amortization is recorded on a straight-line basis, at the following rates:

Building	2.50%
Office furnishings	10%
Computer equipment	20%
Rehabilitation equipment	5% - 20%
Rehabilitation facility	2.50%
Software development	33.33%

SASKATCHEWAN WORKERS' COMPENSATION BOARD

Premium Revenue

At the beginning of each year, an assessment is levied on employers by applying their industry assessment rate to their estimated payrolls. The assessment levy is payable by instalments within the current year. At year-end, assessment income is adjusted based on a review of the employers' actual payrolls.

Benefits Liabilities

The benefits liability is determined annually through an actuarial valuation and represents a provision for future payments relating to incurred claims which occurred on or before December 31. The provision has been obtained by estimating future benefit payments in accordance with the legislation in force and adjudication practices in effect at December 31, 1998.

The benefits liability does not include any provision for payment of claims relating to self-insurers, as they are a liability of the self-insurers.

Provision has not been made for future administration costs of incurred claims. (See Note 6 - Future Benefits Administration reserve.) Similarly provision has not been made for the costs of claims for occupational diseases, or for the cost of existing claims for diseases and injuries that are not currently considered to be work-related, but may in the future be considered to be work-related.

Annuity Fund Payable

The annuity fund is established, pursuant to sections 74 and 83(5) of the Act, to provide injured workers and dependent spouses for the loss of retirement income due to a workplace injury. The fund represents 10% of eligible payments already made plus interest calculated at the Board's actual interest rate. This liability is not discounted and a separate fund of investments is not maintained.

All future costs, excluding interest, are provided for as part of benefits liabilities.

Foreign Currency Translation

Monetary items denominated in foreign currency are translated at the exchange rate in effect at the year end. Equity investments, revenues and expenses are translated at the exchange rate in effect at the transaction date.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and reserves, revenues and expenses. The more subjective of such estimates and assumptions relate to premium revenues receivable and benefits liabilities. By their nature, these estimates and assumptions are subject to measurement uncertainty. Management believes its estimates and assumptions are appropriate; however, actual results could differ from the amounts estimated.

SASKATCHEWAN WORKERS' COMPENSATION BOARD

3 Investments:

(a) The carrying amount and fair value of investments are as follows:

	1998		1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(thousands of dollars)			
Bonds and fixed term securities	\$419,948	\$428,207	\$352,557	\$368,104
Equities and pooled equity funds	290,043	415,894	277,269	387,536
Mortgages and real estate	21,112	22,238	23,033	23,243
Unamortized gains and losses	(14,593)	-	(21,352)	-
	<u>\$716,510</u>	<u>\$866,339</u>	<u>\$631,507</u>	<u>\$778,883</u>

Details of significant terms and conditions, exposures to interest rate and credit risks on investments are as follows:

(i) Cash and short-term securities:

All short-term investments are in Canadian securities. These investments have an aggregate principal amount of \$66,051,000 (1997 - \$63,376,000) and are comprised of notes and commercial paper with effective interest rates of 4.60% to 5.90% (1997 - 3.22% to 4.65%).

(ii(a)) Bonds and other fixed-term securities - interest risk:

		1998		1997	
	Interest Receivable Basis	Effective Rates (% Range)	Coupon Rates (% Range)	Effective Rates (% Range)	Coupon Rates (% Range)
Government of Canada	semi-annual	4.72-5.27%	0-8.00%	5.37-5.96%	0-11.75%
Provincials and Securities					
Guaranteed by Provinces	semi-annual	4.98-5.92%	5.50-10.00%	5.21-6.51%	0-12.25%
Corporate Securities	semi-annual	5.09-7.09%	5.40-9.90%	5.62-7.38%	4.99-11.00%

(ii(b)) Bonds and other fixed-term securities - principal amount and carrying amount:

The principal amount and carrying amount are shown by contractual maturity.

Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

SASKATCHEWAN WORKERS' COMPENSATION BOARD

Term to Maturity	1998		1997	
	Principal Amount	Carrying Amount	Principal Amount	Carrying Amount
	(thousands of dollars)			
Government of Canada				
After one through five years	\$186,088	\$193,523	\$100,451	\$108,079
After five years	65,778	68,415	75,568	77,944
Provincial and Securities				
Guaranteed by Provinces:				
After one through five years	17,532	17,668	30,665	32,223
After five years	48,416	53,127	55,182	46,345
Corporate Securities:				
Due in one year or less	-	-	233	233
After one through five years	47,839	47,735	42,803	42,832
After five years	39,050	39,480	44,766	44,901
	<u>\$404,703</u>	<u>\$419,948</u>	<u>\$349,668</u>	<u>\$352,557</u>

(iii) Equities and pooled equity funds:

The Board's investment in equities and pooled equity funds have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on a quarterly basis. The rates range from 0 to 6.67% on these investments (1997 - 0% to 10.00%).

The Board limits its investment concentration in any one investee or related group of investees to 10% of the investee's share capital.

(iv) Mortgages - principal outstanding:

	1998			1997		
	Carrying Amount	Effective Interest Rates	Average Maturity (Years)	Carrying Amount	Effective Interest Rates	Average Maturity (Years)
	(thousands of dollars)					
Commercial	\$3,490	6.91	9.50	\$3,597	7.09	10.50
Residential	9	6.93	7.00	14	4.96	8.00
	<u>\$3,499</u>	<u>6.91</u>	<u>9.00</u>	<u>\$3,611</u>	<u>7.08</u>	<u>10.00</u>

All mortgages are fixed term and have effective interest rates of 6.86% to 7.00% (1997 - 4.96% to 8.00%). Stated rates range from 6.20% to 11.07% (1997 - 8.00% to 11.07%). Principal and interest is receivable on a monthly basis.

SASKATCHEWAN WORKERS' COMPENSATION BOARD

(b) Net investment income was derived from the following sources:

	1998	1997
	<i>(thousands of dollars)</i>	
Cash and short-term securities	\$ 3,649	\$ 2,172
Bonds and other fixed-term securities	25,007	22,709
Equities and pooled equity funds	50,531	43,276
Mortgages	310	326
Real estate	1,138	161
Other	92	59
Investment expenses	(1,911)	(1,632)
	<u>\$78,816</u>	<u>\$67,071</u>

4 Capital Assets:

	Cost	Accumulated Amortization	Net Book Value	
			1998	1997
	<i>(thousands of dollars)</i>			
Land	\$ 1,375	\$ -	\$ 1,375	\$ 1,375
Building	16,727	3,309	13,418	13,925
Office furnishings	2,237	1,178	1,059	1,199
Computer equipment	10,201	7,580	2,621	1,767
Rehabilitation equipment	1,049	853	196	252
Rehabilitation facility	12,994	3,196	9,798	10,123
Software development	12,688	10,156	2,532	2,667
	<u>\$57,271</u>	<u>\$26,272</u>	<u>\$30,999</u>	<u>\$31,308</u>

5 Accounts Payable:

	1998	1997
	<i>(thousands of dollars)</i>	
Declared Employer rebate	\$23,000	\$ -
Merit rebates	14,331	12,436
Premium refunds	5,825	2,139
Employee benefits liability	2,583	2,465
Occupational Health & Safety	4,630	4,065
Worker's Advocate	492	436
Prevention Services	242	-
Committee of Review	-	21
Other payables	2,369	2,777
	<u>\$53,472</u>	<u>\$24,339</u>

SASKATCHEWAN WORKERS' COMPENSATION BOARD

6 Reserves and Injury Fund:

	Reserves					Injury Fund	Total
	Disaster & Occupational Disease	Second Injury & Re-employment	Economic Stabilization Reserve	Future Benefits Administration	Contingency Reserve		
	(thousands of dollars)						
BALANCE, beginning of year	\$19,300	\$4,800	\$24,100	\$41,800	\$ -	\$24,501	\$114,501
ADD: Net Income	-	-	-	-	-	29,383	29,383
ADD (LESS):							
Appropriation to fund allocations to Employers	4,545	1,703	-	-	-	(6,248)	-
Appropriation to (from) Reserves	1,440	385	1,825	3,137	23,000	(29,787)	-
ADD (LESS):							
Allocations to Employers	(4,545)	(1,703)	-	-	-	6,248	-
	<u>\$20,740</u>	<u>\$5,185</u>	<u>\$25,925</u>	<u>\$44,937</u>	<u>\$23,000</u>	<u>\$24,097</u>	<u>\$143,884</u>

In accordance with the Act, the Board under its authority has established reserves to meet costs arising from any disaster or other circumstances the liability for which would unfairly burden employers. These reserves are appropriated to provide cost relief to employers on claims which meet the reserve criteria and to provide for future benefits administration, changes to legislated benefit levels, and protection against large fluctuations in the average premium rate.

An additional reserve (contingency reserve) has been established to provide for the costs of anticipated legislation that will provide entitlement to surviving spouses who remarried prior to 1985.

7 Premiums:

	1998	1997
	(thousands of dollars)	
Premium revenue	\$157,735	\$179,286
Merit rebates	(14,331)	(12,436)
Surcharge penalty	3,258	2,855
Government of Canada assessment	1,686	1,828
Industry Safety Associations	(1,933)	(1,655)
	<u>\$146,415</u>	<u>\$169,878</u>

SASKATCHEWAN WORKERS' COMPENSATION BOARD

The Board levies an additional premium on certain industry codes to collect funds which are in turn dispersed to the safety associations representing those industries. In 1998, funds were collected on behalf of and disbursed to the Saskatchewan Forestry Safety Association Inc., Heavy Construction Safety Association of Sask., Saskatchewan Construction Safety Association Inc., Service & Hospitality Safety Association of Saskatchewan, Prairie Implement Manufacturers Association, Saskatchewan Trucking Association, Saskatchewan Association of Health Organizations, C6 Safety Association of Saskatchewan, and Saskatchewan Meat Industry Safety Association Inc.

Declared Employer Rebate

On November 26, 1998, the Board announced its intention to rebate to employers a portion of its 1998 surplus.

Rebates will be paid to employers whose premium contributions exceed costs over the three year period ending December 31, 1998. It is anticipated that approximately 30,000 employers will qualify for such a rebate.

B Benefits Liabilities and Compensation Expense:

Benefits liabilities represents a provision for actuarially determined future benefit payments relating to incurred claims which were discounted to a present value at a real interest rate of 4 3/4% to December 31, 2000 and 4% thereafter. Estimates of future benefit payments refer to both reported and unreported claims which had arisen from work-related accidents that occurred on or before December 31, 1998.

The benefits liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

The actuarial present value of future benefit payments reflects management's long-term estimates of economic and actuarial assumptions and methods, which were based on past experience modified for current trends.

As these assumptions may change over time to reflect underlying economic or legislated conditions, it is possible that such changes could cause a material change to the actuarial present value of future benefit payments. The following key long-term economic assumptions were used in the actuarial valuation of the benefits liabilities:

	1998	1997
Inflation		
- to December 31, 2000	2 1/4%	2 1/4%
- thereafter	3%	3%
Real future growth in gross wages	1%	1%
Real future increase in medical aid costs	1 1/2%	1 1/2%

SASKATCHEWAN WORKERS' COMPENSATION BOARD

The Board believes the amount provided for future payments of incurred claims to be adequate. Long-term economic and actuarial assumptions and methods are reviewed annually at December 31 of each year when independent actuarial evaluations are performed. Adjustments, if any, resulting from the continuous review of entitlements, experience, or from changes in legislation, assumptions or methods, are recorded under compensation expense when such adjustments become known, together with the actuarial cost of claims for reported and unreported work-related accidents that occurred in the year.

Benefits Liabilities Continuance Schedule

	1998					1997	
	Short Term Disability*	Long Term Disability	Survivor Benefits	Medical Aid	Rehabilitation*	Total	Total
<i>(thousands of dollars)</i>							
BALANCE, beginning of year	\$81,437	\$310,542	\$76,413	\$62,149	\$26,199	\$556,740	\$541,630
ADD: Claim costs incurred:							
Current year injuries	41,928	17,352	5,403	30,298	6,145	101,126	95,481
Prior years' accident	<u>(2,626)</u>	<u>6,182</u>	<u>5,488</u>	<u>29,381</u>	<u>(4,341)</u>	<u>34,084</u>	<u>31,531</u>
	39,302	23,534	10,891	59,679	1,804	135,210	127,012
DEDUCT: Claim payment made:							
Current year injuries	18,110	69	302	11,053	1,206	30,740	28,306
Prior years' accident	<u>23,330</u>	<u>28,834</u>	<u>9,948</u>	<u>18,345</u>	<u>4,930</u>	<u>85,387</u>	<u>83,596</u>
	41,440	28,903	10,250	29,398	6,136	116,127	111,902
BALANCE, end of year	<u>\$79,299</u>	<u>\$305,173</u>	<u>\$77,054</u>	<u>\$92,430</u>	<u>\$21,867</u>	<u>\$575,823</u>	<u>\$556,740</u>

*Note: The total payments for Short Term Disability plus Rehabilitation benefits corresponds to the Board's financial statements, but this schedule follows the actuarial valuation and treats \$3,624,000 of Short Term Disability payments as Rehabilitation payments.

The components of Compensation expense are as follows:

	1998	1997
	<i>(thousands of dollars)</i>	
Claims of 2 years and less duration	\$ 46,932	\$46,407
Claims of over 2 years duration	37,285	36,838
Actuarial adjustment	<u>19,083</u>	<u>15,110</u>
	<u>\$103,300</u>	<u>\$98,355</u>

SASKATCHEWAN WORKERS' COMPENSATION BOARD

9 Commitments:

The Board has commitments over the next five years for a base level of computer processing, building rental and equipment leasing, as follows:

(thousands of dollars)				
1999	2000	2001	2002	2003
5,131	4,425	164	164	115

10 Pension Plan:

The Board has a defined benefit plan for certain of its employees hired before October 1, 1977. The Board values these pension plan assets at market-related values whereby capital appreciation and depreciation, both realized and unrealized, is recognized over a period of four years. Experience gains and losses are amortized using the straight-line method over the expected average remaining service life of the plan participants.

According to an actuarial review done as at December 31, 1998, the value of the pension plan assets at December 31, 1998 is \$24,941,000 (1997 - \$22,456,000) and the estimated actuarial present value of accrued pension benefits attributed to services rendered is \$19,840,000 (1997 - \$19,255,000).

All other employees of the Board belong to a money purchase pension plan. Employee contributions to this plan are matched by the Board and expensed in the period made.

Total pension expense for 1998 amounted to \$552,000 (1997 - \$518,000).

11 Related Party Transactions:

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common influence by the Government of Saskatchewan.

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

Category (as per financial statements):

	1998	1997
	(thousands of dollars)	
Accounts Receivable - Premiums	\$ 115	\$ 15
Investments	11,712	20,152
Accounts Payable	5,438	4,575
Revenue - Premiums	26,978	27,233
Revenue - Investment Income	2,229	2,378
Expenses	6,292	5,393

SASKATCHEWAN WORKERS' COMPENSATION BOARD

Payments to claimants for compensation, medical aid and vocational rehabilitation who were employed by related parties totalled \$15,730,000 in 1998 (1997 – \$17,736,000).

In addition, the Board pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

12 Fair Value of Financial Assets and Liabilities:

The following method and assumptions were used to estimate the fair value of each class of financial assets and liabilities:

- i) For the following financial assets the fair values are considered to approximate quoted market values on recognized stock exchanges, based on the latest bid or transaction prices:
 - a) bonds and debentures
 - b) equities
 - c) pooled equity funds
- ii) Mortgages: The fair value is calculated by discounting scheduled cash flows through to the estimated maturity of the mortgage using current interest rates.

13 Uncertainty Due to the Year 2000 Issue:

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

14 Comparative Figures:

Certain comparative figures have been changed to conform to the current year's presentation.

SASKATCHEWAN WORKERS' COMPENSATION BOARD

SCHEDULE 1 - ADMINISTRATION EXPENSES**Year ended December 31, 1998 with comparative figures for 1997**

	1998	1997
	<i>(thousands of dollars)</i>	
Salaries	\$14,945	\$13,941
Computer processing	5,163	4,035
Amortization of capital assets	4,803	5,507
Employee benefits	2,199	2,039
Consulting services	1,893	790
Building operations	1,037	922
Communications and postage	935	953
Printing, stationery and office supplies	889	957
Travel and automobile expenses	559	531
Professional services	509	656
Miscellaneous	485	174
Office rental	212	175
Office machines and equipment	101	52
	<u>33,730</u>	<u>30,732</u>
Less:		
Expenses charged to Government of Canada	506	523
Assessment penalties	848	730
Adjudication fees	102	139
	<u>\$32,274</u>	<u>\$29,340</u>

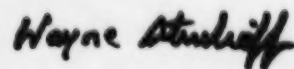
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Board of Governors, Uranium City Hospital as at March 31, 1999 and the statements of operations and changes in fund balances, and cash flow for the year then ended. The Hospital's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board of Governors, Uranium City Hospital as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
October 29, 1999

Wayne Strelloff, CA
Provincial Auditor

Statement 1

BOARD OF GOVERNORS, URANIUM CITY HOSPITAL
STATEMENT OF FINANCIAL POSITION
As at March 31

	<u>Restricted</u>			<u>Total</u>	
	<u>Operating</u>	<u>Capital</u>	<u>Athabasca</u>	<u>1999</u>	<u>1998</u>
	<u>Fund</u>	<u>Fund</u>	<u>Health</u>		
			<u>Facility Project</u>		
			<u>(Note 8)</u>		
ASSETS					
Current assets:					
Cash	\$ —	\$ —	\$ 9,176	\$ 9,176	\$ 383,635
Receivables					
Saskatchewan Health					
- General Revenue Fund	19,450	—	—	19,450	—
Patient services and recoveries	20,388	—	31,387	51,775	31,538
Inventories (Note 3)	69,966	—	—	69,966	75,864
Prepaid expense	<u>7,884</u>	<u>—</u>	<u>—</u>	<u>7,884</u>	<u>21,242</u>
	117,688	—	40,563	158,251	512,279
Capital assets (Note 4)	<u>—</u>	<u>46,908</u>	<u>—</u>	<u>46,908</u>	<u>69,494</u>
	<u>\$ 117,688</u>	<u>\$ 46,908</u>	<u>\$ 40,563</u>	<u>\$ 205,159</u>	<u>\$ 581,773</u>
LIABILITIES					
Current liabilities:					
Bank Overdraft	\$ 90,471	\$ —	\$ —	\$ 90,471	\$ —
Accounts payable	53,510	—	3,865	57,375	90,882
Accrued salaries and vacation pay	<u>121,068</u>	<u>—</u>	<u>—</u>	<u>121,068</u>	<u>77,291</u>
	265,049	—	3,865	268,914	168,173
Long term advance (Note 5)	<u>85,000</u>	<u>—</u>	<u>—</u>	<u>85,000</u>	<u>85,000</u>
	<u>350,049</u>	<u>—</u>	<u>3,865</u>	<u>353,914</u>	<u>253,173</u>
EQUITY					
Fund balances:					
Investment in capital assets	—	46,908	—	46,908	69,494
Externally restricted (Note 2(a)(iii))	—	—	36,698	36,698	284,386
Unrestricted	<u>(232,361)</u>	<u>—</u>	<u>—</u>	<u>(232,361)</u>	<u>(25,280)</u>
Fund balances: Statement 2	<u>(232,361)</u>	<u>46,908</u>	<u>36,698</u>	<u>(148,755)</u>	<u>328,600</u>
	<u>\$ 117,688</u>	<u>\$ 46,908</u>	<u>\$ 40,563</u>	<u>\$ 205,159</u>	<u>\$ 581,773</u>

(See accompanying notes to the financial statements)

Statement 2

BOARD OF GOVERNORS, URANIUM CITY HOSPITAL
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
Year Ended March 31

	1999			1998	
	Restricted Fund				
	Operating Fund	Capital Fund	Athabasca Health Facility Project (Note 8)	Total	Total
Revenues:					
Saskatchewan Health					
- General Revenue Fund	\$1,500,893	\$ —	\$ —	\$1,500,893	\$ 1,886,725
Out-of-province/third party recoveries	18,977	—	—	18,977	7,785
Income and recoveries	35,462	—	—	35,462	74,480
Interest income	8,477	—	—	8,477	9,955
Ancillary operations	34,668	—	—	34,668	30,095
	<u>1,598,477</u>	<u>—</u>	<u>—</u>	<u>1,598,477</u>	<u>2,009,040</u>
Expenses:					
Administration	317,981	26,315	—	344,296	214,888
Housekeeping and laundry	54,986	—	—	54,986	83,395
Maintenance	229,478	—	—	229,478	195,837
Medical records	105,663	—	—	105,663	99,276
Dietary	87,498	—	—	87,498	109,218
Acute care	815,046	—	—	815,046	724,326
Laboratory and x-ray	119,043	—	—	119,043	127,302
Ancillary operations	72,134	—	—	72,134	64,049
Athabasca Health Facility (Note 8)	—	—	247,688	247,688	401,314
	<u>1,801,829</u>	<u>26,315</u>	<u>247,688</u>	<u>2,075,832</u>	<u>2,019,605</u>
Excess (deficiency) of revenues over expenses	(203,352)	(26,315)	(247,688)	(477,355)	(10,565)
Fund balances, beginning of year	(25,280)	69,494	284,386	328,600	339,165
Transfer between funds (Note 10)	(3,729)	3,729	—	—	—
Fund balances at end of year	<u>\$ (232,361)</u>	<u>\$ 46,908</u>	<u>\$ 36,698</u>	<u>\$ (148,755)</u>	<u>\$ 328,600</u>

(See accompanying notes to the financial statements)

Statement 3

**BOARD OF GOVERNORS, URANIUM CITY HOSPITAL
STATEMENT OF CASH FLOW
Year Ended March 31**

	Operating Funds		Restricted Funds			
	1999	1998	Capital Fund	Athabasca Health Facility Project (Note 8)	1999	1998
Cash provided by (used in):	Operating Activities		Financing and Investing Activities			
Excess (deficiency) of revenue over expenses	\$ (203,352)	\$ (89,218)	\$ (26,315)	\$ (247,688)	\$ (274,003)	\$ 78,653
Non-cash expense - amortization of capital assets	—	—	26,315	—	26,315	25,942
Net change in non-cash working capital (Note 12)	<u>51,016</u>	<u>43,422</u>	<u>—</u>	<u>(61,177)</u>	<u>(61,177)</u>	<u>213,446</u>
	<u>(152,336)</u>	<u>(45,796)</u>	<u>—</u>	<u>(308,865)</u>	<u>(308,865)</u>	<u>318,041</u>
Purchase of capital assets	—	—	(3,729)	—	(3,729)	(17,462)
Proceeds from disposal of capital assets	—	—	—	—	—	—
	<u>—</u>	<u>—</u>	<u>(3,729)</u>	<u>—</u>	<u>(3,729)</u>	<u>(17,462)</u>
Net (decrease) increase in cash	(152,336)	(45,796)	(3,729)	(308,865)	(312,594)	300,579
Interfund transfers (Note 10)	(3,729)	(17,462)	3,729	—	3,729	17,462
Cash, beginning of year	<u>65,594</u>	<u>128,852</u>	<u>—</u>	<u>318,041</u>	<u>318,041</u>	<u>—</u>
Cash, end of year	<u>\$ (90,471)</u>	<u>\$ 65,594</u>	<u>\$ —</u>	<u>\$ 9,176</u>	<u>\$ 9,176</u>	<u>\$ 318,041</u>

(See accompanying notes to the financial statements)

BOARD OF GOVERNORS, URANIUM CITY HOSPITAL
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Authority

The Board of Governors, Uranium City Hospital was established June 5, 1995 by Order in Council #508/95 under *The Public Health Act* to operate the Uranium City Hospital.

The Minister of Municipal Government held the net assets and operated the Hospital on behalf of the Northern Settlement of Uranium City prior to establishment of the Board. By Order dated April 25, 1996, under Section 120 (1) of *The Northern Municipalities Act*, the Minister transferred the net assets to the Board effective June 5, 1995 for no monetary consideration.

2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted accounting principles. Significant accounting policies are summarized as follows:

a) Fund accounting

The accounts of the Board are maintained in accordance with the principles of restricted fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

i) Operating fund

The operating fund reflects the primary operations of the Board including revenues received for provision of health services from Saskatchewan Health - General Revenue Fund, and billings to patients, clients, and other agencies for patient and client services. Other revenue consists of recoveries and ancillary operations. Expenses are for the delivery of health services.

ii) Capital fund

The capital fund reflects the equity of the Board in capital assets. The capital fund includes revenues received from Saskatchewan Health - General Revenue Fund designated for the acquisition of capital assets. Expenses consist of amortization of capital assets.

iii) Athabasca Health Facility Project

The Athabasca Health Facility Project reflects a capital grant from Saskatchewan Health - General Revenue Fund designated for the capital construction of the Athabasca Health Facility. Expenses consist of project management costs and architect fees.

b) Inventories

Inventory consists of medical and surgical, pharmacy, laboratory, food, linen and other supplies.

Inventories are valued at the lower of cost and net realizable value, with cost determined by the first-in first-out (FIFO) method.

c) Capital assets

Capital assets are recorded at cost. Cost is amortized over the useful life of the asset.

Amortization has been taken on the straight-line basis at the rate of 10% on equipment. The building is amortized on a straight line basis over its useful life.

d) Revenue

Contributions, including operating and capital funding from the Saskatchewan Health - General Revenue Fund, are included in revenue in the year in which they are received or receivable.

Adjustments to estimated surpluses or deficits, determined in the annual settlement review by the Department, are accounted for in the year determined by the Department.

3. Inventories

	1999	1998
Drugs	\$ 37,900	\$ 33,407
General supplies	18,242	28,633
Medical and surgical supplies	<u>13,824</u>	<u>13,824</u>
	<u>\$ 69,966</u>	<u>\$ 75,864</u>

4. Capital Assets

	1999			1998
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Land	\$ 4,295	\$ —	\$ 4,295	\$ 4,295
Building	1,444,979	1,444,979	—	—
Equipment	463,790	421,177	42,613	65,199
	<u>\$ 1,913,064</u>	<u>\$ 1,866,156</u>	<u>\$ 46,908</u>	<u>\$ 69,494</u>

5. Long Term Advance

The advances received from the Department of Health - General Revenue Fund are interest free and repayable at the discretion of the Department. Therefore, the fair value of the long term advance approximates its carrying value.

6. Related party transactions

Included in these financial statements are transactions with related parties. These related parties include various Saskatchewan Crown Corporations, departments, agencies, boards and commissions related to the Board by virtue of common control by the Government of Saskatchewan and non-crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan.

Routine operating transactions with related parties are settled at standard rates charged by the organizations under normal trade terms. These transactions and amounts outstanding at year end are included in the financial statements and the table below:

	1999	1998
Prepaid expenses	\$ 5,534	\$ 16,974
Accounts payable and accrued liabilities	3,107	—
Expenses	199,271	177,756

In addition, the Board pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

7. Pensions

Employees of the Board participate in the retirement plan of the Saskatchewan Association of Health Organizations (a related party) which is a multi-employer defined benefit pension plan. The Board's financial obligation to the plan is limited to making required payments to match amounts contributed by employees for current services. Pension expense for the year amounted to \$26,428 (1998 - \$30,673)

8. Athabasca Health Facility Project

The Board entered into an agreement with Saskatchewan Health on March 31, 1997. The agreement calls for Saskatchewan Health to provide funding to the Board for the purpose of administering the following agreements pertaining to the Athabasca Health Facility Project:

- a) the Project Management Agreement between the Board and Cascade and Associates; and
- b) the client/architect Agreement CCDC-6 between the Board and MANASC Architects Ltd.

The restricted contributions are recognized as revenue of the Athabasca Health Facility Project Fund when received or receivable. The agreement also states that the Board agrees to return to the Minister of Health all funds paid if the Board does not comply with the obligations under the agreement.

9. Financial instruments

- a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing and certainty of future cash flows. Significant terms and conditions for the other financial instruments are disclosed separately in these financial statements.

- b) Credit risk

The Board is exposed to credit risk from the potential non-payment of accounts receivable. The majority of the Board's receivables are from government agencies, therefore credit risk is minimal.

c) Fair value

The carrying amount of these financial instruments approximate fair value due to their immediate or short-term nature.

cash
accounts receivable
bank overdraft
accounts payable
accrued salaries and vacation pay

10. Interfund Transfers

Interfund transfers consist of funds transferred from the Operating Fund to the Capital Fund to finance the purchase of capital assets.

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Board's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Board, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

12. Net Change in Non-Cash Working Capital

	Operating Funds		Restricted Funds			
	1999	1998	Capital Fund	Athabasca Health Facility Project	1999	1998
(Increase)decrease in receivables	\$ (8,300)	\$ 21,880	\$ —	\$ (31,387)	\$ (31,387)	\$ 260,000
Decrease in inventories	5,898	12,936	—	—	—	—
Decrease(increase) in prepaid expense	13,358	(14,597)	—	—	—	—
Increase (decrease) in accounts payable	40,060	29,112	—	(29,790)	(29,790)	(46,554)
Decrease in deferred revenue	—	(5,909)	—	—	—	—
	<u>\$ 51,016</u>	<u>\$ 43,422</u>	<u>\$ —</u>	<u>\$ (61,177)</u>	<u>\$ (61,177)</u>	<u>\$ 213,446</u>

13. Subsequent Event

On August 8, 1999 inpatient services at the Uranium City Hospital were suspended due to staff shortages.

14. Comparative Information

Certain 1998 comparative figures have been reclassified to conform with the current year's financial statement presentation.

Schedule 1

BOARD OF GOVERNORS, URANIUM CITY HOSPITAL
SCHEDULE OF EXPENDITURES BY OBJECT
For the year ended March 31

	<u>1999</u>	<u>1998</u>
Salaries and other benefits	\$ 1,152,881	\$ 1,076,478
Medical, surgical, drugs and other patient supplies	112,029	105,734
Utilities	147,518	132,263
Repairs and maintenance	24,272	16,398
Dietetic/food supplies	15,118	19,352
Amortization expense	26,315	25,942
Staff education and travel	118,916	86,566
Other		
- Board expenses	59,634	32,204
- Administrative	96,836	56,833
- Laundry and linen	879	810
- Housekeeping	1,612	1,662
- Ancillary operations	72,134	64,049
Athabasca Health Facility Project	<u>247,688</u>	<u>401,314</u>
	<u>\$ 2,075,832</u>	<u>\$ 2,019,605</u>

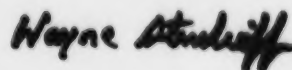
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Health Services Utilization and Research Commission as at March 31, 1999 and the statements of revenue, expenses and changes in fund balance and cash flows for the year then ended. The Commission's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Health Services Utilization and Research Commission as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
February 7, 2000

Wayne Strelloff, CA
Provincial Auditor

Statement 1

**HEALTH SERVICES UTILIZATION AND RESEARCH COMMISSION
BALANCE SHEET
As at March 31**

	1999				1998
	Operating Fund	HealNet Research Project (Note 9)	SPHERU (Note 10)	Total	Total
ASSETS					
Current assets:					
Cash	\$ 242,092	\$ 150	\$ —	\$ 242,242	\$ —
Accrued interest receivable	10,781	—	—	10,781	48,688
Accounts receivable	96,828	11,600	—	108,428	49,925
Short-term investments (Note 2(e) and 3)	1,138,476	121,383	974,611	2,234,470	1,889,593
Prepaid expenses	17,822	764	—	18,586	760
	<u>1,505,999</u>	<u>133,897</u>	<u>974,611</u>	<u>2,614,507</u>	<u>1,988,966</u>
Long-term investments (Note 2(e) and 3)	3,231,790	—	—	3,231,790	3,267,127
Capital assets (Note 2(c) and 5)	<u>100,178</u>	<u>12,639</u>	<u>—</u>	<u>112,817</u>	<u>141,472</u>
Total assets	<u>\$ 4,837,967</u>	<u>\$ 146,536</u>	<u>\$ 974,611</u>	<u>\$ 5,959,114</u>	<u>\$ 5,397,565</u>
LIABILITIES BALANCE					
Liabilities:					
Bank indebtedness	\$ —	\$ —	\$ —	\$ —	\$ 71,495
Accounts payable	27,168	2,738	—	29,906	96,638
Payroll liabilities	9,707	1,535	—	11,242	—
Grants payable	1,660,005	—	—	1,660,005	1,570,197
Deferred Revenue	6,666	—	—	6,666	—
	<u>1,703,546</u>	<u>4,273</u>	<u>—</u>	<u>1,707,819</u>	<u>1,738,330</u>
Total liabilities	<u>1,703,546</u>	<u>4,273</u>	<u>—</u>	<u>1,707,819</u>	<u>1,738,330</u>
Fund balances:					
Externally restricted	—	142,263	974,611	1,116,874	661,075
Internally restricted	8,890	—	—	8,890	—
Unrestricted	<u>3,125,531</u>	<u>—</u>	<u>—</u>	<u>3,125,531</u>	<u>2,998,160</u>
Fund balances (Statement 2)	<u>3,134,421</u>	<u>142,263</u>	<u>974,611</u>	<u>4,251,295</u>	<u>3,659,235</u>
Total liabilities & fund balance	<u>\$ 4,837,967</u>	<u>\$ 146,536</u>	<u>\$ 974,611</u>	<u>\$ 5,959,114</u>	<u>\$ 5,397,565</u>

(See accompanying notes to the financial statements)

Statement 2

**HEALTH SERVICES UTILIZATION AND RESEARCH COMMISSION
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND BALANCE
Year Ended March 31**

	1998		1999		1998	
	Operating Fund		HealNet Research Project	SPHERU	Total	Total
	Budget (Note 8)	Actual	(Note 9)	(Note 10)		
Revenue:						
Saskatchewan Health						
General Revenue Fund	\$2,358,000	\$2,108,000	\$ —	\$ 250,000	\$2,358,000	\$2,358,000
Federal Government						
Medical Research Council of Canada	141,000	41,576	—	—	41,576	—
Health Transition Fund	244,000	227,520	—	—	227,520	—
Waiting List Research Project	—	—	—	—	—	30,073
HealNet Research Project	—	—	245,000	—	245,000	272,543
Recoveries	—	73,025	—	—	73,025	92,108
Interest	285,000	351,785	—	—	351,785	327,832
Miscellaneous	15,000	25,758	—	—	25,758	8,859
Total revenue	3,023,000	2,827,664	245,000	250,000	3,322,664	3,089,415
Expenses:						
Student grants	—	—	—	—	—	2,815
Research grants	1,200,000	1,338,120	20,000	—	1,358,120	1,426,754
Wages and benefits	741,131	703,295	162,558	—	865,853	839,843
Administrative and operating expenses	815,904	312,176	65,949	11,527	409,652	278,756
Honoraria and expenses of the board and committees	22,710	28,022	—	—	28,022	48,152
Amortization expense	—	29,849	5,837	—	35,686	33,851
Rent	27,500	28,328	3,330	—	31,658	29,355
Loss on disposal of capital assets	—	1,613	—	—	1,613	—
Total expenses	2,807,245	2,441,403	277,674	11,527	2,730,604	2,659,526
Excess of revenue over expenses	\$ 215,755	386,261	(32,674)	238,473	592,060	429,889
Fund balance, beginning of year		2,998,160	174,937	486,138	3,659,235	3,229,346
Transfer between funds (Note 10)		(250,000)	—	250,000	—	—
Fund balance, end of year (Statement 1)		\$3,134,421	\$ 142,263	\$ 974,611	\$4,251,295	\$ 3,659,235

(See accompanying notes to the financial statements)

Statement 3

HEALTH SERVICES UTILIZATION AND RESEARCH COMMISSION
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	<u>Operating Fund</u>	<u>HealNet Research Project (Note 9)</u>	<u>SPHERU (Note 10)</u>	<u>Total 1999</u>	<u>1998</u>
Cash provided by (used in):					
Operating activities:					
Excess of revenue over expenses (Statement 2)	\$ 386,261	\$ (32,674)	\$ 238,473	\$ 592,060	\$ 429,889
Non-cash expenses:					
Amortization expense	29,849	5,837	—	35,686	33,851
Loss on disposal of capital assets	1,613	—	—	1,613	—
Net Changes in non-cash working capital (Note 4)	<u>7,629</u>	<u>(5,067)</u>	<u>—</u>	<u>2,562</u>	<u>227,078</u>
	<u>425,352</u>	<u>(31,904)</u>	<u>238,473</u>	<u>631,921</u>	<u>690,818</u>
Investment activities:					
Decrease(Increase) in short-term investments	109,831	33,765	(488,473)	(344,877)	(698,234)
Decrease (increase) in long-term investments	<u>35,337</u>	<u>—</u>	<u>—</u>	<u>35,337</u>	<u>(30,101)</u>
	<u>145,168</u>	<u>33,765</u>	<u>(488,473)</u>	<u>(309,540)</u>	<u>(728,335)</u>
Financing activities:					
Purchases of capital assets	(7,040)	(1,711)	—	(8,751)	(27,413)
Proceeds from disposal of capital assets	<u>107</u>	<u>—</u>	<u>—</u>	<u>107</u>	<u>—</u>
	<u>(6,933)</u>	<u>(1,711)</u>	<u>—</u>	<u>(8,644)</u>	<u>(27,413)</u>
Net increase (decrease) in cash	563,587	150	(250,000)	313,737	(64,930)
Cash, beginning of year	(71,495)	—	—	(71,495)	(6,565)
Transfers between funds (Note 10)	<u>(250,000)</u>	<u>—</u>	<u>250,000</u>	<u>—</u>	<u>—</u>
Cash, end of year	<u>\$ 242,092</u>	<u>\$ 150</u>	<u>\$ —</u>	<u>\$ 242,242</u>	<u>\$ (71,495)</u>

(See accompanying notes to the financial statements)

**HEALTH SERVICES UTILIZATION AND RESEARCH COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Establishment of the Commission

Order in Council 165/92 established the Health Services Utilization and Research Commission as a Crown corporation on February 20, 1992. The Commission has been continued pursuant to *The Health Services Utilization and Research Commission Act*. The Commission reviews, analyzes and makes recommendations as to the most effective utilization of health services in Saskatchewan and provides research funding.

2. Accounting Policies

The Health Services Utilization and Research Commission maintains its accounts using generally accepted accounting principles including the following significant accounting policies:

a) Fund Accounting

The accounts of the Commission are maintained in accordance with the principles of restricted fund accounting for contributions. For financial reporting purposes, accounts with similar characteristics have been combined into the following funds:

i) Operating Fund

The operating fund reflects the primary operations of the Board including Saskatchewan Health - General Revenue Fund revenues received to provide research funding to various researchers and to conduct in-house utilization research. Other revenue consists of Federal Government grants not restricted to HealNet Research Project, recoveries, interest and miscellaneous revenue. Expenses consist of the research grants awarded, cost of in-house utilization research and administrative costs.

ii) Restricted Fund - HealNet Research Project

The HealNet Research Project Fund reflects revenue received from the Networks of Centres of Excellence Program (Federal Government) designated for the Project. Expenses consist of costs of in-house and contract research staff and administrative costs.

iii) **Restricted Fund – Saskatchewan Population Health and Evaluation Research Unit (SPHERU).**

The SPHERU Fund reflects transfers from the Health Services Utilization and Research Commission, and revenue from Saskatchewan Health – General Revenue Fund for the Unit. Expenses consist of rent, board expenses and administrative costs.

b) **Research Grants**

Annual Competitions

The Health Services Utilization and Research Commission holds annual competitions through which funds are awarded to successful applicants for terms of up to two years. The Commission follows the policy of recording the grant awards approved and committed during the year as expenditures. At year end, awards which have not been paid to individuals or to institutions administering awards on behalf of researchers but which are still committed for a competition are shown as grants payable on the balance sheet.

The balance of funds advanced to administering institutions in excess of the current requirements of researchers is held in trust by those institutions until drawn down by the researchers. In the event of the completion or termination of a project, or non-compliance with the terms of an award, the balance of unexpended funds is treated as a recovery in the year that this is determined. These funds are then available to be awarded for future research.

c) **Capital Assets**

Capital assets are recorded at cost. Normal maintenance and repairs are expensed as incurred. Capital assets are amortized on a straight-line basis over their estimated useful lives (3 to 10 years).

d) **Revenue**

Operating and restricted fund revenue is recorded in the year it is received or receivable.

e) **Investments**

Investments are valued at the lower of amortized cost or net realizable value.

3. Investments

	1999		1998	
	Carrying Value	Effective Rate	Carrying Value	Effective Rate
Short-term investments	<u>\$ 2,234,470</u>	4.7-7.6%	<u>\$ 1,889,593</u>	4.7-7.7%
Long-term investments:				
CIBC Strip Bonds, mature in 4 years	567,361	6.3%	531,151	6.3%
Province of Saskatchewan Strip Bonds, mature in 1-3 years	963,467	6.0 - 8.7%	896,332	6.0 - 8.7%
Province of British Columbia Strip Bonds, mature in 4-6 years	1,195,878	6.1 - 6.5%	1,334,708	6.1-6.5%
Province of Ontario Bond, matured	—	—	247,630	7.6%
Ontario Hydro Strip Bond, matures in 1 year	276,884	8.2%	257,306	8.2%
Province of Saskatchewan Savings Bond, matures in 4 years	<u>228,200</u>	5.0%	<u>—</u>	—
	<u>3,231,790</u>		<u>3,267,127</u>	
	<u>\$ 5,466,260</u>		<u>\$ 5,156,720</u>	

4. Changes in Components of Non-Cash Working Capital

	Operating Fund	HealNet Research Project	Total	
			1999	1998
Decrease (increase) in accrued interest receivable	\$ 37,907	\$ —	\$ 37,907	\$ (1,515)
(Increase) in accounts receivable	(53,783)	(4,720)	(58,503)	(41,627)
(Increase) in prepaid expenses	(17,062)	(764)	(17,826)	—
(Decrease) in accounts payable	(65,614)	(1,118)	(66,732)	(65,544)
Increase in payroll liabilities	9,707	1,535	11,242	—
Increase in grants payable	89,808	—	89,808	335,764
Increase in deferred revenue	<u>6,666</u>	<u>—</u>	<u>6,666</u>	<u>—</u>
Net changes in non-cash working capital	<u>\$ 7,629</u>	<u>\$ (5,067)</u>	<u>\$ 2,562</u>	<u>\$ 227,078</u>

5. Capital Assets

	1999		1998
	Cost	Accumulated Amortization	Net Book Value
Furniture & Equipment	\$ 236,504	\$ 123,687	\$ 112,817
			\$ 141,472

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, departments, agencies, boards and commissions related to the Commission by virtue of common control by the Government of Saskatchewan, and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are recorded at the standard rates charged by those organizations and are settled on normal trade terms. These transactions, and amounts outstanding at year end are as follows:

	1999	1998 (restated)
Research grant, administrative and occupancy expenses:		
Regina District Health Board	\$ —	\$ 30,277
University of Regina	74,790	51,062
University of Saskatchewan	1,296,760	1,254,714
Saskatoon District Health Board	47,982	109,024
Moose Jaw-Thunder Creek Health District	499	9,654
Saskatchewan Health	31,181	16,022
Prince Albert Health District	10,239	—
Capital Pension Plan - employee benefits	22,495	29,372
Accounts payable	18,122	20,437
Grants payable	1,660,005	1,570,197

The Commission pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to or from them are described separately in these financial statements and the notes thereto.

7. Financial Instruments

The Commission has the following financial instruments: accrued interest receivable, accounts receivable, investments, accounts payable, and grants payable. The following paragraphs disclose the significant aspects of these financial instruments.

a) Significant terms and conditions

There are no significant terms and conditions associated with the financial instruments, other than investments, that may affect the amount, timing, and certainty of future cash flows. Significant terms and conditions for investments are described separately in these financial statements and the notes thereto.

b) Interest rate risk

The Commission is exposed to interest rate risk when the value of its financial instruments fluctuate due to changes in market interest rates.

The Commission's receivables and payables are non-interest bearing. Due to the short-term nature of these, as well as cash and short-term investments, interest rate risk is minimal.

As market interest rates fluctuate the market value of long-term investments moves in the opposite direction. This risk will affect the price the Commission could sell the investments for prior to maturity.

c) Credit risk

The Commission is exposed to credit risk from potential non-payment of accounts receivable or investment income and principal.

Most of the Commission's receivables are from provincial and federal governments, therefore the credit risk is minimal.

The Commission's investments consist of provincial and federal government bonds, promissory notes, treasury bills and bankers acceptances with large Canadian banks. Therefore, credit risk for investments and related accrued interest receivable is minimal.

d) Fair Value

For the following financial instruments, the carrying amounts approximate fair value due to their immediate or short-term nature:

Accrued interest receivable
Accounts receivable
Short-term investments
Accounts payable
Payroll liabilities
Grants payable

The fair value of long-term investments is \$ 3,570,077 (1998 - \$3,362,770). The fair value is considered to approximate quoted market values.

8. Budget

These amounts represent the operating budget approved by the Board on June 11, 1998.

9. Networks of Centres of Excellence Program (NCE) - HealNet Research Project

In September 1995, the Commission was awarded approximately \$1 million from the Federal Government as a participant in a NCE Competition. The money is to be received over 3 ½ years and is restricted for research in the area of health evidence-based information and decision tools. The restricted contributions are recognized as revenue of the HealNet Research Project funds when received or receivable.

During the year, the Federal Government approved an allocation of operating grants of \$245,000 (1998 - \$272,543). It includes the final payment for the project.

The Commission used \$277,674 (1998 - \$241,927) of the money received during the 1998/99 year. Under the terms of the agreement, the Commission is allowed to retain unused funding for use in the 1999/2000 year.

10. Saskatchewan Population Health Evaluation and Research Unit (SPHERU)

In 1998, the Health Services Utilization and Research Commission (HSURC), the Medical Research Council of Canada and the Provincial Government agreed to establish a Saskatchewan Population Health and Evaluation Research Unit. This Unit will focus on enhancing health and social planning, evaluating health system changes, improving health information use for planning and evaluation and health policy development.

During the year, Saskatchewan Health and HSURC provided \$250,000 each. The Commission spent \$11,527 during the year (1998 - \$13,862). Unused funding is retained for use in the 1999/2000 year.

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognized the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Board's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Board, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

12. Subsequent Event

On July 9, 1999, the Restricted Fund - Saskatchewan Population Health and Evaluation Research Unit (SPHERU) was incorporated as a separate entity under *The Non-Profit Corporations Act, 1995* as Saskatchewan Population Health and Evaluation Research Unit, Inc.

Under a memorandum of understanding, signed October 31, 1999, HSURC will pay SPHERU \$250,000 per year for the next eight years.

13. Comparative Figures

Certain comparative figures have been restated to conform with the current year's presentation.

H.C. AGNEW, B.Comm. C.A.
G.J.E. REID, C.A.
D.R. ULMER, B.Comm. C.A.
G.L. BUSCH, B.Comm. C.A.
G.H. JAHN, B.Comm. C.A.
L.A. COOPER, B.Comm. C.A.



Woodhouse • Tucker & Partners
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To: The Prince Albert District Health Board

We have audited the statement of financial position of the Prince Albert District Health Board as at March 31, 1999 and the statements of operations and changes in fund balances and of cash flow for the year then ended. These financial statements are the responsibility of the Prince Albert District Health Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Prince Albert District Health Board as at March 31, 1999 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

Prince Albert, Saskatchewan
June 4, 1999

WOODHOUSE, TUCKER & PARTNERS
Chartered Accountants

PER:

Larry Cooper

STATEMENT 1



PRINCE ALBERT DISTRICT HEALTH BOARD

STATEMENT OF FINANCIAL POSITION

As at March 31

	Operating Fund	Restricted Funds		Total 1999	Total 1998
		Capital Fund	Community Fund		
ASSETS					
Current					
Cash and short-term investments (Schedule 2) (Market value \$6,795,866; 1998 - \$7,409,091)	\$ 2,291,238	\$ 3,951,336	\$ 416,141	\$ 6,658,715	\$ 7,293,781
Accounts receivable					
Saskatchewan Health - General Revenue Fund	679,199	-	-	679,199	55,541
Other	1,449,428	285,124	880,559	2,615,111	2,385,673
Inventory	535,162	-	-	535,162	433,903
Prepaid expenses	785,597	-	-	785,597	689,785
	5,740,624	4,236,460	1,296,700	11,273,784	10,858,683
Capital assets (Note 3)	-	33,324,777	-	33,324,777	34,064,740
Total Assets	\$ 5,740,624	\$ 37,561,237	\$ 1,296,700	\$ 44,598,561	\$ 44,923,423
LIABILITIES					
Current					
Accounts payable	\$ 3,757,326	\$ 407,872	\$ -	\$ 4,165,198	\$ 5,028,756
Accrued salaries	1,150,969	-	-	1,150,969	289,082
Vacation payable	2,608,220	-	-	2,608,220	2,383,417
Bank loans payable (Note 5)	-	665,000	-	665,000	1,339,257
Current portion of mortgages payable (Note 6)	-	282,016	-	282,016	266,076
Current portion of capital lease obligation (Note 7)	-	65,805	-	65,805	29,151
Deferred revenue (Note 8)	440,003	-	-	440,003	651,295
	7,956,518	1,420,693	-	9,377,211	9,987,040
Mortgages payable (Note 6)	-	4,711,296	-	4,711,296	4,993,771
Obligations under capital lease (Note 7)	-	79,683	-	79,683	51,016
Total Liabilities	7,956,518	6,211,672	-	14,168,190	15,031,827
EQUITY					
Fund Balances					
Investment in capital assets	-	28,185,977	-	28,185,977	28,724,726
Investment in other Capital Fund net assets	-	2,069,727	-	2,069,727	1,056,841
Externally restricted (Schedule 3)	-	-	1,296,700	1,296,700	1,292,980
Internally restricted (Schedule 4)	-	1,093,861	-	1,093,861	1,032,943
Unrestricted	(2,215,894)	-	-	(2,215,894)	(2,215,894)
Fund Balances: Statement 2	(2,215,894)	31,349,565	1,296,700	30,430,371	29,891,596
Total Liabilities & Fund Balance	\$ 5,740,624	\$ 37,561,237	\$ 1,296,700	\$ 44,598,561	\$ 44,923,423

APPROVED BY THE BOARD:

Carol H. Brice DIRECTOR

Erniey Louie DIRECTOR

(See accompanying notes to the financial statements)



STATEMENT 2

PRINCE ALBERT DISTRICT HEALTH BOARD
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
For the Year Ended March 31, 1999

	OPERATING FUND			RESTRICTED FUNDS	
	BUDGET 1999 (Note 15)	1999	1998	TOTAL 1999 (Schedule 5)	TOTAL 1998
REVENUES					
Saskatchewan Health:					
- General Revenue Fund	\$ 53,448,869	\$ 54,227,919	\$ 51,978,133	\$ 2,705,161	\$ 804,984
- Medical Services Plan	2,172,826	2,293,031	1,490,479	-	-
Long Term Resident/Respite Income	2,767,015	2,925,545	3,026,468	-	-
Home-based Service Fees	260,000	242,282	253,786	-	-
CMHC Mortgage Subsidies	-	-	-	222,839	315,076
Out-of-Province/Third Party Recoveries	351,970	454,649	447,495	-	-
Donations & Bequests	-	15,152	10,185	244,171	902,009
Interest Income	30,150	109,213	83,904	266,229	251,279
Ancillary Operations - Income	780,272	837,639	786,027	-	-
Other Income and Recoveries	1,890,575	2,270,782	1,967,132	73,296	4,038
	<u>61,701,677</u>	<u>63,376,212</u>	<u>60,043,609</u>	<u>3,511,696</u>	<u>2,277,386</u>
EXPENDITURES					
Acute Care Services	29,428,457	30,677,818	29,615,243	2,033,295	3,209,235
Specialized Hospital Programs	579,772	677,557	455,668	-	-
Supportive Care Services	9,381,581	9,739,661	10,489,860	730,685	1,592,897
Grants to Affiliates:					
Supportive Care	3,871,795	4,013,794	2,690,169	-	220,727
Home-based Services	3,624,907	4,037,086	3,468,643	29,071	29,151
Health Improvement Initiatives:					
Health/Wellness Centres/Clinics	2,777,535	3,050,527	2,070,744	30,639	32,790
Rural Health Initiatives	935,689	903,613	721,601	10,815	10,815
Community Care Initiatives	618,894	588,831	611,094	-	-
Emergency Services	568,657	569,796	525,511	90,000	90,000
Alcohol and Drug Services	465,884	478,475	445,489	-	-
Community Health Services	3,054,737	3,232,400	2,944,983	36,615	21,014
Mental Health Services	4,499,012	4,589,323	4,202,400	-	-
Rehabilitation Services	78,493	78,456	392,604	-	-
Community Fund Expenses	-	-	-	10,777	78,897
Ancillary Operations - Expenses	555,842	528,973	528,746	210,926	146,758
Total Expenditures (Schedule 1)	<u>60,441,255</u>	<u>63,166,310</u>	<u>59,162,755</u>	<u>3,182,823</u>	<u>5,432,284</u>
Excess (deficiency) of revenue over expenses	<u>\$ 1,260,422</u>	<u>209,902</u>	<u>880,854</u>	<u>328,873</u>	<u>(3,154,898)</u>
Fund balances, beginning of year		(2,215,894)	(2,215,894)	32,107,490	34,381,534
Transfers between funds (Note 16)		(209,902)	(880,854)	209,902	880,854
Fund balances, end of year		<u>\$ (2,215,894)</u>	<u>\$ (2,215,894)</u>	<u>\$ 32,646,265</u>	<u>\$ 32,107,490</u>

(See accompanying notes to the financial statements)

For the Year Ended March 31, 1999

(See accompanying notes to the financial statements)

**PRINCE ALBERT DISTRICT HEALTH BOARD****NOTES TO THE FINANCIAL STATEMENTS****March 31, 1999****1. Authority**

The Prince Albert Health Board was established by Order in Council, 542/93 effective June 3, 1992 pursuant to the provisions of The Crown Corporations Act, 1978, and has been continued pursuant to section nine of *The Health Districts Act* (the Act) under the name Prince Albert District Health Board. The Board is responsible for planning, coordinating and providing health services within the geographic area known as the Prince Albert Health District.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

(a) Foundation

The Victoria Hospital Foundation Inc. is incorporated under the Non-Profit Corporations Act and is a registered charity under the Income Tax Act.

Under the Foundation's Articles of Incorporation all funds raised by the Foundation after payments of reasonable expenses must be paid to the Victoria Hospital or any other qualified donee. Consequently, control of the Foundation's activities by virtue of economic interest exists.

These financial statements do not include the financial activities of the Foundation. Alternatively, Note 13 describes the financial position and results of operations of the Foundation.

(b) Fund Accounting

The accounts of the Prince Albert District Health Board are maintained in accordance with the principles of fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

i) Operating Fund

The operating fund reflects the primary operations of the Board including revenues received for provision of health services from Saskatchewan Health-General Revenue Fund, and billings to patients, clients, the federal government and other agencies for patient and client services. Other revenue consists of donations, recoveries and ancillary revenue. Expenses are for the delivery of health services.

ii) Capital Fund

The capital fund is a restricted fund that reflects the equity of the District in capital assets after taking into consideration any associated long term debt. The capital fund includes revenues received from Saskatchewan Health - General Revenue Fund designated for the acquisition of capital assets. The capital fund also includes donations and municipal funding agreements designated for capital purposes. Expenses consist primarily of amortization of capital assets.



PRINCE ALBERT DISTRICT HEALTH BOARD

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1999

iii) Community Fund

The community fund is a restricted fund that reflects community generated assets transferred to the Board in accordance with the pre-amalgamation agreements signed with the amalgamating health corporations. The assets include cash and investments initially accumulated by the health corporations in the District from donations or municipal tax levies. These assets are accounted for separately and use of the assets are subject to restrictions set out in pre-amalgamation agreements between the District and the health corporations.

(c) Revenue

Donations and contributions including capital and all unrestricted funding related to general operations from Saskatchewan Health - General Revenue Fund are included in revenue in the year in which they are received or receivable. Restricted funding related to general operations from Saskatchewan Health - General Revenue Fund and revenue for service provision is included in revenue in the year in which related costs are incurred.

(d) Inventory

Inventory consists of general stores, pharmacy, dietary and other. Inventory is valued at the lower of cost and net realizable value with cost determined by the average cost method or the first-in first-out method.

(e) Capital Assets

Capital assets are recorded at cost. Normal maintenance and repairs are expensed as incurred. Capital assets are amortized on a straight line basis over their estimated useful lives as follows:

Buildings	2 1/2% to 5%
Land and leasehold improvements	10% to 20%
Equipment	5% to 20%

Construction in progress is capitalized, but no amortization is recorded until the project is complete. Donated capital assets are recorded at their fair market value at the date of contribution (if fair value can be reasonably determined).

(f) Investments

Investments are valued at the lower of cost or net realizable value.



PRINCE ALBERT DISTRICT HEALTH BOARD

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1999

3. Capital Assets

	1999		1998	
	Cost	Accumulated Amortization	Net Carrying Amount	Net Carrying Amount
Land	\$ 450,976	\$ —	\$ 450,976	\$ 450,976
Construction In Progress	1,315,304	—	1,315,304	—
Buildings	48,058,953	20,259,561	27,799,392	29,187,713
Land and leasehold improvements	689,755	658,077	31,678	38,518
Equipment	16,258,736	12,531,309	3,727,427	4,387,533
	<u>\$ 66,773,724</u>	<u>\$ 33,448,947</u>	<u>\$ 33,324,777</u>	<u>\$ 34,064,740</u>

4. Capital Commitments

a) Capital Asset Acquisitions

At March 31, 1999, commitments for the acquisition of capital assets were \$ nil (1998 - Nil).

b) Capital Project Funding

The Prince Albert District Health Board entered into a Capital Funding Agreement with Saskatchewan Health covering a capital project. Funding is provided to the Board in accordance with the payment schedule contained in the agreement. The agreement provides for capital funding totalling \$2,240,000 (1998 - \$Nil). As at March 31, 1999 \$Nil (1998 - \$Nil) remained outstanding under this agreement. A total of \$61,065 (1998 - \$61,065) is committed towards projects undertaken by affiliates.

5. Bank Loan

	1999	1998
Demand Loan, Canadian Imperial Bank of Commerce, at prime minus 0.10% interest payable monthly with no set repayment terms	\$ 665,000	\$ 1,315,000
Demand Loan, Bank of Montreal, at prime, payable on demand	—	24,257
	<u>\$ 665,000</u>	<u>\$ 1,339,257</u>



PRINCE ALBERT DISTRICT HEALTH BOARD

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1999

6. Mortgages Payable

<u>Title of Issues</u>	<u>Interest Rate</u>	<u>Annual Repayment Terms</u>	<u>1999</u>	<u>1998</u>
Pineview Terrace Lodge & Units Canada Mortgage and Housing Corporation, due December 1, 2004	5.125%	\$27,325 principal & interest.	\$ 136,040	\$ 155,913
Herb Bassett Home Canada Mortgage and Housing Corporation, due March 1, 2003	5.51%	\$364,212 principal & interest of which \$102,776 is subsidized by CMHC, yielding an effective interest rate of 2%	2,802,909	3,008,704
Kinistino Jubilee Lodge & Units Canada Mortgage and Housing Corporation, due May 1, 2015	5.125%	\$11,341 principal & interest.	124,948	129,817
Jubilee Lodge Canada Mortgage and Housing Corporation, due December 1, 2000	8.11%	\$71,791 principal & interest of which \$44,055 is subsidized by CMHC, yielding an effective interest rate of 2%.	738,970	751,272
Birchview Nursing Home Canada Mortgage and Housing Corporation, due December 1, 1999	9.05%	\$130,642 principal & interest of which \$76,008 is subsidized by CMHC, yielding an effective interest rate of 2%.	1,190,445	1,214,141
			4,993,312	5,259,847
Less: Amounts due within one year			<u>282,016</u>	<u>266,076</u>
			<u>\$4,711,296</u>	<u>\$4,993,771</u>

For each of the mortgages, the Board has pledged the related buildings of the special care homes as security. Additional security is provided on the mortgages for Jubilee Lodge and Birchview Nursing Home by security agreements on equipment and furnishings and the assignment of rents and leases. Additional security is provided for the mortgage on the Herb Bassett Home by an assignment of rents and leases.

Aggregate principal repayments required for each of the next five years are as follows:

2000 - \$ 282,016
 2001 - \$ 298,982
 2002 - \$ 317,014
 2003 - \$ 336,228
 2004 - \$ 356,593



PRINCE ALBERT DISTRICT HEALTH BOARD

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1999

7. Capital Lease

- a) Equipment has been taken on lease on terms which transfer substantially all of the benefits and risks of ownership to the Board and are accounted for as a "capital lease", as though an asset had been purchased and a liability incurred.

	<u>1999</u>		<u>1998</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Amount</u>
Equipment under capital lease	\$ 257,459	\$ 140,404	\$ 117,055

The equipment is amortized on a straight-line basis over its economic life of five years beginning in the year of acquisition.

- b) Minimum annual payments under capital leases on equipment over the full lease term are as follows:

2000	\$ 65,805
2001	\$ 58,518
2002	\$ 21,165

8. Deferred Revenue

	<u>1999</u>	<u>1998</u>
Details of revenue deferred are as follows:		
Saskatchewan Health - Pre Hospital Emergency Technology	\$ —	\$ 41,658
Saskatchewan Health - Health Improvement Initiatives	34,406	94,982
Saskatchewan Health - Dental Project, Successful Mothers Support, Severance Funding, HIV/STD, Behavior Management, Family Support/Rehab, Emergency/Weekend Call, Telehealth, MSP	222,428	265,998
Acquired Brain Injury	155,744	231,407
Other	<u>27,425</u>	<u>17,250</u>
	<u>\$ 440,003</u>	<u>\$ 651,295</u>



PRINCE ALBERT DISTRICT HEALTH BOARD

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1999

Restricted funding related to general operations from Saskatchewan Health - General Revenue Fund is recorded as revenue as the related costs are incurred. Other revenue received in advance is recorded as revenue as the related services are provided.

9. Trust Funds

The Prince Albert District Health Board holds cash in the bank on behalf of the trust funds listed below. The transactions and balances related to the trust funds are not included in these financial statements.

	<u>1999</u>	<u>1998</u>
Patient/resident	\$ 65,859	\$ 48,859
Staff Development	91,880	84,922
Medical Staff	<u>1,470</u>	<u>1,470</u>
	<u>\$ 159,209</u>	<u>\$ 135,251</u>

10. Related Party Transactions

Included in these financial statements are transactions with related parties. These related parties include various Saskatchewan Crown corporations, departments, boards and commissions related to the Board by virtue of its economic interest with the Government of Saskatchewan.

Transactions with these related parties are in the normal course of operations. Amounts due to or from and the recorded amounts of the transactions resulting from these transactions are included in the financial statements and the table below. They are recorded at the standard rates charged by those organizations and are settled on normal trade terms.

	<u>1999</u>	<u>1998</u>
Accounts Payable	\$ 416,475	\$ 476,975
Expenses	\$ 5,046,076	\$ 4,562,502

The amount receivable from Saskatchewan Health - General Revenue Fund represents funds due to the Board in order to satisfy the estimated cost of retroactive salaries and benefits due under several collective agreements.

11. Commitment

The Prince Albert District Health Board has received donations and has entered into charitable annuity agreements with the donors to purchase annuities on the donor's behalf. The Board's liability under the agreements are to ensure that each donor receive the monthly annuity paid by the financial institution who issued the annuity. Upon the death of the annuitant the balance of the funds, if any, will be transferred to the Board. The asset and related liability have not been disclosed in the balance sheet due to the trust arrangements in effect and due to the uncertainty of future events.



PRINCE ALBERT DISTRICT HEALTH BOARD

NOTES TO THE FINANCIAL STATEMENTS

March 31, 1999

12. Affiliates

- a) The Board has entered into an affiliation agreement with Mont St. Joseph Home Inc., a privately owned health corporation to provide services.

This corporation receives operating and capital funding from the Board on a monthly basis with budget amounts approved annually. During the year, the Board provided the following amounts:

Mont St. Joseph Home Inc.	<u>1999</u>	<u>1998</u>
Operating Grant	\$ 3,894,501	\$ 2,590,077
Capital Grant	<u>—</u>	<u>139,902</u>
	<u>\$ 3,894,501</u>	<u>\$ 2,729,979</u>

13. Foundations

Fund raising efforts are undertaken through a non-profit business corporation known as the Victoria Hospital Foundation. The year end of the Foundation is September 30, 1998 which is reflected in the information below.

Victoria Hospital Foundation Inc.

	<u>1998</u>	<u>1997</u>
Balance Sheet		
Total assets	<u>\$ 201,243</u>	<u>\$ 175,927</u>
Total liabilities	\$ 29,673	\$ 18,819
Total net assets	<u>171,570</u>	<u>157,108</u>
	<u>\$ 201,243</u>	<u>\$ 175,927</u>
Results of Operations		
Total revenues	\$ 429,623	\$ 63,953
Total expenses	<u>415,161</u>	<u>159,022</u>
Excess (deficiency) of revenue over Expenses	<u>\$ 14,462</u>	<u>\$ (95,069)</u>
Total expenses include contributions of \$348,301 (1997 - \$134,150) to the Board		
Cash Flows		
Cash from operations	\$ 19,018	\$ (124,883)
Cash used in financing and investing activities	<u>—</u>	<u>(2,305)</u>
Increase (decrease) in cash	<u>\$ 19,018</u>	<u>\$ (127,188)</u>

**PRINCE ALBERT DISTRICT HEALTH BOARD****NOTES TO THE FINANCIAL STATEMENTS****March 31, 1999****14. Pensions**

Employees of the Board participate in one of the following pension plans. Some employees participate in the retirement plan of the Saskatchewan Association of Health Organizations (a related party) which is a multi-employer defined benefit plan. Other employees participate in either the Public Service Superannuation Plan (a related party) which is a defined benefit plan, or the Public Employees' (Government Contributory) Superannuation Plan (a related party) which is a defined contribution plan. The Board's financial obligations to the plans is limited to making required payments to match amounts contributed by employees for current services. Pension expense for the year amounted to \$1,390,747 (1998 - \$1,372,754).

15. Budget

The operating budget, which is included in the Board's Health Plan, was approved by the Board and submitted to the Minister of Health in accordance with *The Health Districts Act*.

16. Interfund Transfers

In 1999, the Board internally restricted and transferred from the Operating Fund to the Capital fund \$41,635 representing replacement reserves required by the Canada Mortgage and Housing Corporation and \$8,004 from the Operating Fund to the Capital Fund for allocations to other Board designated reserves. In addition, \$197,543 was transferred from the Operating Fund to the Capital Fund in order to fund the cash outlays for capital asset acquisitions and mortgage principal and interest payments, \$37,280 was transferred from the Capital Fund to the Operating Fund representing qualifying Operating Fund expenditures against internally restricted fund balances. These internally restricted amounts are not available for unrestricted purposes without approval of the Board.

An interfund transfer of \$36,364 from the Community Fund to the Capital Fund was approved by the Board to fund cash outlay requirements for capital construction projects in accordance with the terms and conditions set forth in the pre-amalgamation agreements.

17. Financial Instruments**a) Significant terms and conditions**

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing and certainty of future cash flows. Significant terms and conditions for the other financial instruments are disclosed separately in these financial statements.

b) Credit risk

The Board is exposed to credit risk from the potential non-payment of accounts receivable. The majority of the Board's receivables are from Saskatchewan Health - General Revenue fund, Saskatchewan Workers' Compensation Board, health insurance companies or other Provinces. Therefore, the credit risk is minimal.

**PRINCE ALBERT DISTRICT HEALTH BOARD****NOTES TO THE FINANCIAL STATEMENTS****March 31, 1999****c) Fair value**

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- The carrying amount of these financial instruments approximate fair value due to their immediate or short-term nature.

cash and short term investments
accounts receivable
accounts payable
accrued salaries and vacation payable

- For investments, the fair value is considered to approximate quoted market values.
- The fair value of mortgages payable before the repayment required within one year, is \$4,999,662 (1998 - \$5,306,663) and is determined using discounted cash flow analysis based on current incremental borrowing rates for similar borrowing arrangements.

18. Uncertainty due to Year 2000 (Y2K) Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on or after January 1, 2000, and if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.



PRINCE ALBERT DISTRICT HEALTH BOARD
SCHEDULE OF EXPENDITURES BY OBJECT

For the Year Ended March 31, 1999

SCHEDULE 1

	<u>1999</u>	<u>1998</u>
Medical Remuneration and other benefits	\$ 4,331,046	\$ 3,298,158
Salaries	35,903,203	34,718,864
Benefits	5,068,114	4,846,321
Grants to third parties	5,205,867	4,269,469
Medical, surgical, drugs and other patient supplies	4,765,569	4,377,536
Utilities	1,044,761	1,025,214
Repairs and maintenance	878,653	828,956
Dietetic/food supplies	1,200,301	1,285,100
Interest expense	403,517	435,975
Amortization expense	2,664,129	4,556,977
Loss on disposal of fixed assets	-	43,978
Ambulance services grant	533,647	582,147
Other:		
- Administrative	2,471,419	2,384,886
- Laundry and linen	820,094	873,030
- Housekeeping/Janitorial	166,570	162,534
- Accommodation	388,642	369,250
- Ancillary Operations	492,824	457,747
- Community Fund	10,777	78,897
	<u>\$ 66,349,133</u>	<u>\$ 64,595,039</u>

SCHEDULE 2



PRINCE ALBERT DISTRICT HEALTH BOARD

SCHEDULE OF INVESTMENTS

For the Year Ended March 31, 1999

	Amount	Maturity	Effective Rate	Coupon Rate
OPERATING FUND INVESTMENTS - UNRESTRICTED				
Cash and short-term chequing and savings:				
Petty Cash	\$ 4,525			
C.I.B.C. - Prince Albert, SK	2,276,086			
Scotia Bank - Kinistino, SK	10,627			
Total Operating Fund Investments	\$ 2,291,238			
CAPITAL FUND INVESTMENTS				
Internally Restricted Investments (Schedule 4)				
Cash and short-term chequing and savings:				
C.I.B.C. Prince Albert, SK	\$ 1,093,861			
Total Internally Restricted Investments	1,093,861			
Unrestricted Investments				
Cash and short-term chequing and savings:				
C.I.B.C. - Prince Albert, SK	2,192,475			
Portfolio held with Wood Gundy Investments:				
Saskatchewan Savings Bonds	665,000	Jul-15-1999	8.00%	8.00%
Total Unrestricted Investments	2,857,475			
Total Capital Fund Investments	\$ 3,951,336			
COMMUNITY FUND INVESTMENTS - EXTERNALLY RESTRICTED (Schedule 3)				
Cash and short-term chequing and savings:				
C.I.B.C. - Prince Albert, SK	\$ 20,473			
Portfolio held with RBC Dominion Securities Ltd.:				
Cash	2			
Saskatchewan Savings Bonds	109,000	Jul-15-1999	8.00%	8.00%
Province of Newfoundland Coupon	66,580	Aug-15-1999	8.70%	11.00%
Ontario Hydro Coupon	162,450	Feb-08-2000	8.62%	11.20%
Ontario Hydro Coupon	57,636	Apr-17-2000	8.78%	10.00%
Total Community Fund Investments	\$ 416,141			

Externally Restricted Investments consist of community generated funds transferred to the Board and held in the Community Fund (Schedule 3). Internally Restricted Investments consist of replacement reserves maintained pursuant to mortgage agreements with Canada Mortgage & Housing Corporation (CMHC) and/or Saskatchewan Municipal Government Housing Division (SMGHD), as well as other Board designated reserves (Schedule 4).



PRINCE ALBERT DISTRICT HEALTH BOARD
SCHEDULE OF EXTERNALLY RESTRICTED FUNDS
(COMMUNITY FUND EQUITY)
For the Year Ended March 31, 1999

	<u>Opening Balance</u>	<u>Interest Income</u>	<u>Expenses</u>	<u>Transfers</u>	<u>Ending Balance</u>
Kinistino and District Health Foundation Inc.	\$ 382,599	\$ (3,073)	\$ —	\$ —	\$ 379,526
The Birch Hills and Area Health Care Foundation Inc.	354,157	17,570	(10,777)	—	360,950
Prince Albert and District Health Board	<u>556,224</u>	<u>36,364</u>	<u>—</u>	<u>(36,364)</u>	<u>556,224</u>
	<u>\$1,292,980</u>	<u>\$ 50,861</u>	<u>\$ (10,777)</u>	<u>\$ (36,364)</u>	<u>\$1,296,700</u>

The Community Funds are held as follows:

Prince Albert District Health Board (Schedule 2)	\$ 416,141
Accrued interest on Community Fund investments	140,083
Due from foundations	<u>740,476</u>
Total Community Fund Equity	<u>\$ 1,296,700</u>

- a) Funds are held by the Kinistino and District Health Foundation Inc. and the Birch Hills and Area Health Care Foundation Inc. in trust for the Prince Albert District Health Board pursuant to agreements signed by the parties. The agreements provide that the Board will consult with the respective foundation prior to finalizing plans for capital improvements or capital construction in the event the Board will be seeking contributions from the foundation. In addition, the agreements provide that funds are to be used in the provision of health care within each local community or area.
- b) Community funds held by the Prince Albert District Health Board have special conditions regarding the use of these funds by the Health Board. The Prince Albert District Health Board must obtain a majority consent from the municipalities who previously were the members of the amalgamated Health Corporation before they can use any of the trust proceeds.



PRINCE ALBERT DISTRICT HEALTH BOARD

SCHEDULE OF INTERNALLY RESTRICTED FUND BALANCES

For the Year Ended March 31, 1999

1. CANADA MORTGAGE & HOUSING CORPORATION (CMHC) DESIGNATED RESERVES

The Board is required to maintain certain replacement reserves as a condition of receiving a subsidized mortgage or a mortgage interest subsidy from the Canada Mortgage & Housing Corporation (CMHC).

	Balance, Beginning of Year	Transfer from Unrestricted Fund Balance		Transfer to Unrestricted Fund Balance	Balance, End of Year
		Annual Allocation	Investment Income Allocation		
Herb Bassett Home	\$ 497,400	\$ 40	\$ 21,207	\$ (21,247)	\$ 497,400
Pineview Terrace Lodge	15,297	8,466	759	-	24,522
Pineview Terrace Units	150,516	20,000	7,467	(4,473)	173,510
Jubilee Lodge	94,950	-	50	-	95,000
Jubilee Units	63,933	8,054	3,172	(2,298)	72,861
Birchview Home	20,669	5,075	1,025	(13,328)	13,441
SUB-TOTAL: CMHC RESERVES	\$ 842,765	\$ 41,635	\$ 33,680	\$ (41,346)	\$ 876,734

2. BOARD DESIGNATED RESERVES

Reserves are approved by the Board for designated purposes and are restricted from the Operating and Capital Fund balances.

	Balance, Beginning of Year	Transfer from Unrestricted Fund Balance	Investment Income Allocation	Transfer to Unrestricted Fund Balance	Balance, End of Year
Reserve for Printing Equipment	\$ 38,464	\$ 9,316	\$ 1,908	\$ -	\$ 49,688
Reserve for Staff Parking	78,636	8,004	4,070	-	90,710
Reserve for Renal Fund	4,909	700	252	(8,005)	(2,144)
Poole Estate Reserve	-	12,918	52	-	12,970
Ferris Estate Reserve	41,872	-	2,077	-	43,949
Begin Estate Reserve	17,037	-	841	(3,439)	14,439
Herb Bassett Home Chapel Reserve	-	145	2	-	147
Watsang Estate Reserve	9,260	-	459	(2,351)	7,368
SUB-TOTAL: BOARD DESIGNATED	\$ 190,178	\$ 31,083	\$ 9,661	\$ (13,795)	\$ 217,127

TOTAL INTERNALLY RESTRICTED FUND BALANCES:

	1999	1998
CMHC Reserves	\$ 876,734	\$ 842,765
Board Designated	217,127	190,178
TOTAL	\$ 1,093,861	\$ 1,032,943

SCHEDULE 5



PRINCE ALBERT DISTRICT HEALTH BOARD
SCHEDULE OF RESTRICTED FUND BALANCES

For the Year Ended March 31, 1999

	CAPITAL FUND 1999	COMMUNITY FUNDS 1999 (Schedule 3)	TOTAL 1999	TOTAL 1998
REVENUES				
Saskatchewan Health:				
- General Revenue Fund	\$ 2,705,161	\$ -	\$ 2,705,161	\$ 804,984
- Medical Services Plan	-	-	-	-
Long Term Resident/Respite Income	-	-	-	-
Home-based Service Fees	-	-	-	-
CMHC Mortgage Subsidies	222,839	-	222,839	315,076
Out-of-Province/Third Party Recoveries	-	-	-	-
Donations & Bequests	244,171	-	244,171	902,009
Interest Income	215,368	50,861	266,229	251,279
Ancillary Operations - Income	-	-	-	-
Other Income and Recoveries	73,296	-	73,296	4,038
	<u>3,460,835</u>	<u>50,861</u>	<u>3,511,696</u>	<u>2,277,386</u>
EXPENDITURES				
Acute Care Services	2,033,295	-	2,033,295	3,209,235
Specialized Hospital Services	-	-	-	-
Supportive Care Services	730,685	-	730,685	1,592,897
Grants to Affiliates:				
Acute Care	-	-	-	-
Supportive Care	-	-	-	220,727
Home-based Services	29,071	-	29,071	29,151
Health Improvement Initiatives:				
Health/Wellness Centres/Clinics	30,639	-	30,639	32,790
Rural Health Initiatives	10,815	-	10,815	10,815
Community Care Initiatives	-	-	-	-
Emergency Services	90,000	-	90,000	90,000
Alcohol and Drug Services	-	-	-	-
Community Health Services	36,615	-	36,615	21,014
Mental Health Services	-	-	-	-
Rehabilitation Services	-	-	-	-
Community Fund Expenses	-	10,777	10,777	76,897
Ancillary Operations - Expenses	210,926	-	210,926	146,758
Total Expenditures	<u>3,172,046</u>	<u>10,777</u>	<u>3,182,823</u>	<u>5,432,284</u>
Excess (deficiency) of revenue over expenses	288,789	40,084	328,873	(3,154,898)
Fund balances, beginning of year	30,814,510	1,292,980	32,107,490	34,381,534
Transfers between funds (Note 16)	246,266	(36,364)	209,902	880,854
Fund balances, end of year	<u>\$ 31,349,565</u>	<u>\$ 1,296,700</u>	<u>\$ 32,646,265</u>	<u>\$ 32,107,490</u>

SCHEDULE 6



PRINCE ALBERT DISTRICT HEALTH BOARD
SCHEDULE OF PAYMENTS TO BOARD MEMBERS
For the Year Ended March 31, 1999

	<u>Remuneration</u>	<u>Travel/ Accommodation</u>	<u>Total 1999</u>	<u>Total 1998</u>
R. Allen	\$ -	\$ -	\$ -	\$ 1,182
C. Beck	18,602	1,139	19,741	20,779
A. Boychuck	5,525	1,376	6,901	7,284
D. Buettner	-	-	-	2,406
J. Buettner	6,837	168	7,005	8,622
M. Cowie	8,212	243	8,455	7,676
J. Heilmann-Toews	6,350	171	6,521	7,673
L. McClintick	6,938	1,311	8,249	7,831
D. Miller	875	-	875	4,665
R. Mogg	2,563	-	2,563	6,071
P. Morin	5,900	285	6,185	9,095
L. Roy	7,200	1,734	8,934	9,415
W. Stubbs	2,762	394	3,156	3,712
C. Thoms	7,163	833	7,996	4,332
	<u>\$ 78,927</u>	<u>\$ 7,654</u>	<u>\$ 86,581</u>	<u>\$ 100,743</u>

Payments to Board members have been made pursuant to Board Policy in accordance with guidelines issued by the Department of Health. The rates of remuneration and reimbursement of expenses were revised effective May 14, 1996, in accordance with Order in Council 333/96.

AUDITOR'S REPORT

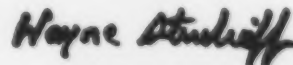
To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of Regina District Health Board as at March 31, 1999 and the statements of operations and changes in fund balances and cash flow for the year then ended. The Board's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
June 22, 1999



Wayne Strelhoff, CA
Provincial Auditor

Statement 1

**REGINA DISTRICT HEALTH BOARD
STATEMENT OF FINANCIAL POSITION
As at March 31**

	<u>1999</u>	<u>1998</u>
ASSETS		
Current:		
Cash & short term investments (Note 2(f))	\$ 2,223,680	\$ 6,625,538
Accounts receivable - Saskatchewan Health		
- General Revenue Fund	4,186,392	3,071,190
Accounts Receivable - other	4,779,778	5,821,183
Inventory (Note 2(e))	3,343,812	2,948,623
Prepaid expenses	<u>1,964,319</u>	<u>1,963,917</u>
Total current assets	<u>16,497,981</u>	<u>20,430,451</u>
Investments (Notes 2(f) and 3)	2,421,369	7,930,792
Capital assets (Notes 2(d) and 4)	<u>286,997,388</u>	<u>245,512,538</u>
TOTAL ASSETS	<u>\$ 305,916,738</u>	<u>\$ 273,873,781</u>
LIABILITIES AND FUND BALANCE		
Current:		
Bank overdraft (Note 5)	\$ 30,237,586	\$ ---
Accounts payable	19,778,821	20,693,030
Accrued salaries	8,713,948	5,510,528
Deferred revenue (Note 6)	<u>2,936,478</u>	<u>1,898,228</u>
	61,666,833	28,101,786
Accrued vacation pay (Note 2(h))	<u>14,435,922</u>	<u>13,593,538</u>
Total current liabilities	<u>76,102,755</u>	<u>41,695,324</u>
Fund balances: (Statement 2)		
Operating fund	(12,771,042)	(5,370,750)
Capital fund	<u>242,585,025</u>	<u>237,549,207</u>
Fund balances	<u>229,813,983</u>	<u>232,178,457</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 305,916,738</u>	<u>\$ 273,873,781</u>

(See accompanying notes to the financial statements)

Statement 2

REGINA DISTRICT HEALTH BOARD
STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES
For the Year Ended March 31

	Budget Operating Fund (Note 16)	Actual Operating Fund	Actual Capital Fund	Actual Total 1999	Actual Total 1998
Revenues:					
Saskatchewan Health					
- General Revenue Fund	\$278,057,292	\$282,663,569	\$ 12,956,852	\$ 295,620,421	\$ 296,252,013
Patient & agency charges	16,923,826	16,320,865	—	16,320,865	16,429,045
Funds received under the Hospital Revenue Act	—	—	—	—	2,060
Donations	—	818,873	3,600,061	4,418,934	3,607,665
Ancillary revenue	2,831,821	2,671,076	—	2,671,076	3,258,654
Gain on disposal of assets	—	—	84,142	84,142	69,727
Other	7,743,374	8,048,347	221,574	8,269,921	7,445,984
Total revenues	305,556,313	310,522,730	16,862,629	327,385,359	327,065,148
Expenses:					
Salaries & other benefits	186,530,862	190,017,927	—	190,017,927	176,973,236
Medical remuneration & benefits	20,140,474	19,560,502	—	19,560,502	17,365,479
Medical & surgical - drugs and supplies	23,850,283	25,316,234	—	25,316,234	23,420,432
Utilities	5,555,858	5,355,225	—	5,355,225	5,013,413
Repair & maintenance	4,516,823	4,450,935	—	4,450,935	4,291,138
Food	3,294,560	3,668,908	—	3,668,908	3,436,093
Grants and transfer payments	36,518,436	37,230,326	181,036	37,411,362	34,662,824
Amortization of capital assets	—	—	14,307,989	14,307,989	12,627,971
Other	28,523,438	28,818,367	—	28,818,367	26,708,459
Total expenses before vacation pay	308,930,734	314,418,424	14,489,025	328,907,449	304,499,045
(Deficiency) excess of revenues over expenses before increase in accrued vacation pay expense	\$ (3,374,421)	(3,895,694)	2,373,604	(1,522,090)	22,566,103
Increase in accrued vacation pay expense (Note 2(h))		842,384	—	842,384	1,405,290
Excess (deficiency) of revenues over expenses		(4,738,078)	2,373,604	(2,364,474)	21,160,813
Transfers between funds (Note 11)		(2,662,214)	2,662,214	—	—
Net change in fund for the year		(7,400,292)	5,035,818	(2,364,474)	21,160,813
Fund balances, beginning of year		(5,370,750)	237,549,207	232,178,457	211,017,644
Fund balances, end of year		\$(12,771,042)	\$ 242,585,025	\$ 229,813,983	\$232,178,457

(See accompanying notes to the financial statements)

Statement 3

**REGINA DISTRICT HEALTH BOARD
STATEMENT OF CASH FLOW
For the year ended March 31**

	<u>1999</u>	<u>1998</u>
Cash provided by (used in):		
Operations:		
(Deficiency) of revenues over expenses		
currently funded - operating fund	\$ (4,738,078)	\$ (1,822,605)
Net change in non-cash working capital (note 9)	<u>3,700,457</u>	<u>20,916,029</u>
Total	<u>(1,037,621)</u>	<u>19,093,424</u>
Investments:		
Purchase of capital assets	(55,816,294)	(55,818,303)
Proceeds on disposal of capital assets	107,597	69,727
Net disposal of investments	<u>5,509,423</u>	<u>1,241,819</u>
Total	<u>(50,199,274)</u>	<u>(54,506,757)</u>
Financing:		
Capital funding	12,956,852	33,182,941
Capital grants paid	(181,036)	---
Hospital revenue tax	---	2,060
Donations & other revenue	<u>3,821,635</u>	<u>2,356,661</u>
Total	<u>16,597,451</u>	<u>35,541,662</u>
Net (decrease) increase in cash and cash equivalents		
during the year	(34,639,444)	128,329
Cash and cash equivalents, beginning of year	<u>6,625,538</u>	<u>6,497,209</u>
Cash and cash equivalents (deficiency), end of year	<u>\$ (28,013,906)</u>	<u>\$ 6,625,538</u>
Cash and cash equivalents comprise:		
Cash and short term investments	2,223,680	6,625,538
Bank overdraft	<u>(30,237,586)</u>	<u>---</u>
	<u>\$ (28,013,906)</u>	<u>\$ 6,625,538</u>

(See accompanying notes to the financial statements)

**REGINA DISTRICT HEALTH BOARD
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Authority

The Regina Health Board was created as a Crown corporation by Order in Council 147/92 effective February 14, 1992 pursuant to the provisions of *The Crown Corporations Act, 1978* and is continued as the Regina District Health Board (the Board) by *The Health Districts Act* (the Act) effective May 24, 1993.

The Board is responsible for planning, co-ordinating and providing health services within the geographic area known as the Regina Health District.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies.

a) Foundation

The Hospitals of Regina Foundation is incorporated under *The Non-Profit Corporations Act* and is a registered charity under *The Income Tax Act*.

Under the Foundation's Articles of Incorporation, all funds raised by the Foundation after payments of reasonable expenses must be paid to the Board. Consequently, control of the Foundation's activities by virtue of economic interest exists.

These financial statements do not include the financial activities of the Foundation. Alternatively, Note 12 describes the financial position and results of operations of the Foundation.

b) Fund Accounting

The accounts of the Board are maintained in accordance with the principles of restricted fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funds:

i) Operating Fund

The operating fund reflects the primary operations of the Board including revenues received for provision of health services from Saskatchewan Health - General Revenue Fund and billings to patients, clients, the federal government and other agencies for patient and client services. Other revenue consists of donations, recoveries and ancillary revenue. Expenses are for the delivery of health services.

ii) Capital Fund

The capital fund reflects the equity of the District in capital assets. The capital fund includes revenues received from Saskatchewan Health - General Revenue Fund designated for the acquisition of capital assets. The capital fund also includes donations and municipal levies designated for capital purposes by the contributor. Expenses consist primarily of amortization of capital assets.

c) Revenue

Donations and contributions from Saskatchewan Health - General Revenue Fund for capital purposes and for general operations are included in revenue in the year in which they are received or receivable.

d) Capital Assets

Capital assets are recorded at cost. Normal maintenance and repairs are expensed as incurred. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	- 2 1/2% to 6 2/3%
Leasehold improvements	- 2 1/2% to 20%
Equipment	- 5% to 20%

Donated capital assets are recorded at their fair value at the date of contribution.

e) **Inventory**

Inventories consist of general stores, pharmacy, and linen. All inventories are valued at cost. Cost of general stores and linen inventory is determined on a weighted average basis. Pharmacy inventory cost is determined on the first in, first out basis.

f) **Investments**

Investments are valued at the lower of cost and net realizable value.

g) **Sick Leave Credits**

Upon termination of employment, certain employees are eligible for payment of unused sick leave credits. Sick leave credits are recorded as expenses when paid.

h) **Accrued Vacation Pay**

Vacation pay is recorded as an expense in the year in which it is earned. However, to reflect current operating practice the change in accrued vacation pay liability of \$842,384 (1998 - \$1,405,290) is shown separately as an expense while the portion paid during the year is included in salaries and other benefits or medical remuneration as appropriate.

3. Investments

	1999		1998	
	Book Value	Market Value	Book Value	Market Value
Long term debentures/ bonds	<u>\$ 2,421,369</u>	<u>\$ 2,621,009</u>	<u>\$ 7,930,792</u>	<u>\$ 8,386,440</u>

4. Capital Assets

	1999			1998		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	\$ 3,309,526	\$ —	\$ 3,309,526	\$ 3,273,234	\$ —	\$ 3,273,234
Construction in progress	—	—	—	90,941,120	—	90,941,120
Buildings	311,818,972	64,432,662	247,386,310	197,690,650	72,878,672	124,811,978
Land and leasehold improvements	2,527,388	1,722,821	804,567	3,342,001	2,447,374	894,627
Equipment	123,772,050	88,275,065	35,496,985	107,277,844	81,686,265	25,591,579
	<u>\$ 441,427,936</u>	<u>\$ 154,430,548</u>	<u>\$ 286,997,388</u>	<u>\$ 402,524,849</u>	<u>\$ 157,012,311</u>	<u>\$ 245,512,538</u>

The total for buildings includes costs for regenerated structures on leased premises. The Board leases most of the land and buildings from the Saskatchewan Property Management Corporation under a long term lease for a nominal rent of \$1 per year.

Since the Plains Health Centre closed on October 31, 1998 in accordance with the Project '98, the building was amortized at a rate which resulted in the book value being fully amortized by the date of closure. This adjustment resulted in additional amortization expense of \$950,845 (1998 - \$1,630,019).

5. Bank Overdraft

The Bank overdraft of \$30,237,586 at March 31, 1999 is composed of:

- \$6M to finance the acquisition of diagnostic equipment (MRI, Spiral C.T.'s, Cath Lab and Nuclear Medicine Camera). The Hospitals of Regina Foundation is committed to raising funds to repay this amount to a maximum of \$6M over 4 years as part of the "Life is Worth Giving" campaign.
- \$4.2M to finance the construction of the Medical Office Building. This project is considered to be self financing over a 20 year period and the loan is secured through assignment of rent receipts.
- The remaining amount is required to finance various construction projects. The District, working collaboratively with the Department of Health, will develop a multi-year plan that ensures that the outstanding debt will be paid off in an orderly fashion.

6. Deferred Revenue

	1999	1998
Saskatchewan Health - General Revenue Fund		
- Rural Health Initiatives	\$ 177,059	\$ 109,722
- Successful Mothers	34,394	34,394
- Health Service Site	----	50,000
- Workplace Wellness	267,164	103,803
- Dojack Young Offender Program	14,792	----
- SWAD - Program Development Costs	123,000	----
- Four Directions - start up costs	35,000	----
- Provincial Renal Management	700,000	----
Sub-Total Saskatchewan Health	1,351,409	297,919
Research Grants	436,696	435,207
Education Funds	17,318	18,222
Medical Earnings Pool	471,330	420,367
Acquired Brain Injury Program	337,775	398,520
Other	321,950	327,993
Total	<u>\$ 2,936,478</u>	<u>\$ 1,898,228</u>

Restricted funding related to general operations from Saskatchewan Health - General Revenue Fund is recorded as revenue when the related costs are incurred.

7. Commitments

a) Capital Asset Acquisitions

At March 31, 1999, commitments for acquisition of capital assets, excluding construction projects, were \$3,006,533 (1998 - \$4,786,736).

b) Operating Leases

Minimum annual rentals under operating leases on property and equipment over the next five years are as follows:

2000	\$ 924,890
2001	\$ 918,650
2002	\$ 730,100
2003	\$ 635,918
2004	\$ 592,018

c) Construction Projects

The Board has initiated a number of construction projects to improve health services to the residents of Southern Saskatchewan, including Project '98, which has resulted in the closure of the Plains Health Centre in November 1998. As at March 31, 1999, \$130,907,341 (1998 - \$90,941,120) had been spent on these projects. A further \$3,474,705 (1998 - \$28,988,259) is committed on these projects, which represents contracts not completed to date.

8. Contingent Liability

As at March 31, 1999 there was a contingent liability of \$1,101,776 (1998 - \$1,199,073) related to unused sick leave credits payable upon termination of certain employees that were on staff prior to 1975 at the Regina General Hospital.

An additional contingent liability exists in the amount of \$242,520 (1998 - \$228,950) related to unused sick leave credits payable upon termination of certain employees transferred from the City of Regina Health Department. In accordance with the transfer agreement, the City of Regina will reimburse the District for the amount owing at July 1, 1993 for each qualifying employee upon termination.

9. Net Change in Non-Cash Working Capital

	1999	1998
(Increase) decrease in accounts receivable	\$ (73,797)	\$ 18,274,546
(Increase) in inventory	(395,189)	(40,380)
(Increase) in prepaid expenses	(402)	(853,486)
(Decrease) increase in accounts payable	(914,209)	2,349,254
Increase (decrease) in accrued salaries	3,203,420	(302,923)
Increase in deferred revenue	1,038,250	83,728
Increase in accrued vacation pay	842,384	1,405,290
	<u>\$ 3,700,457</u>	<u>\$ 20,916,029</u>

10. Related Party Transactions

Included in these financial statements are transactions with related parties. These related parties include various Saskatchewan Crown corporations, departments, boards and commissions related to the Board by virtue of its economic interest with the Government of Saskatchewan.

Transactions with these related parties are in the normal course of operations. Amounts due to or from and the recorded amounts of transactions resulting from these transactions are included in the financial statements and the table below. They are recorded at agreed upon exchange amounts and are settled on normal trade terms.

	1999	1998
Revenues – Patient & Agency Charges		
Saskatchewan Workers' Compensation Board	\$ 3,038,158	\$ 3,226,781
Revenues – Other		
Saskatchewan Cancer Foundation	\$ 1,507,293	\$ 1,468,668
Expenses		
Saskatchewan Telecommunications	\$ 1,360,958	\$ 1,179,264
Saskatchewan Power Corporation	3,547,608	3,190,026
Saskatchewan Property Management Corporation	640,258	754,093
Accounts Receivable – Other		
Saskatchewan Workers' Compensation Board	\$ 191,152	\$ 680,893
Saskatchewan Cancer Foundation	991,867	773,172

Other transactions with related parties and their terms of settlement are described separately in the financial statements.

11. Transfers Between Funds

Prior to the 1997-98 fiscal year the Board received hospital revenue tax funds directly from municipalities pursuant to *The Hospital Revenue Act*. This Act was repealed effective January 1, 1997 and offset funding of \$2,662,214 was included in the operating grant from Saskatchewan Health.

As in previous years, the Board designated this funding toward the purchase of capital equipment and accordingly the financial statements reflect the transfer of this amount from the operating to the capital fund.

12. Foundation

Fund-raising efforts are undertaken through a non-profit business corporation known as the Hospitals of Regina Foundation Inc. (the Foundation). During the year, the Foundation provided funding of \$3,409,114 (1998 - \$1,807,109) for capital acquisitions.

The Foundation's fiscal year end is August 31. Financial statements for the Foundation as at March 31, 1999, the District's fiscal year end, are not available.

Hospitals of Regina Foundation

	August 31, 1998	August 31, 1997
Balance Sheet		
Total assets	\$ 6,089,350	\$ 1,214,407
Total liabilities	4,769,310	924,813
Total net assets	1,320,040	289,594
	<u>\$ 6,089,350</u>	<u>\$ 1,214,407</u>
Results of Operation		
Total revenues	\$ 3,972,373	\$ 2,600,642
Total expenses	751,196	504,497
Excess of revenue over expenses	<u>\$ 3,221,177</u>	<u>\$ 2,096,145</u>

13. Pension

Employees of the Board participate in one of the following pension plans. Some employees participate in the retirement plan of the Saskatchewan Association of Health Organizations (a related party) which is a multi-employer defined benefit plan. Other employees participate in the Regina Civic Employees Superannuation and Benefit Plan which is also a defined benefit plan. The Board's financial obligation to the plans is limited to making required payments to match amounts contributed by employees for current services. Pension expense for the year amounted to \$7,741,536 (1998 - \$7,454,579).

14. Affiliates

The Board has entered into affiliation agreements with special care homes to provide services.

Special care homes in the District receive funding from the Board on a monthly basis in accordance with budget amounts approved annually.

During the year, the following amounts were provided to these special care homes:

	1999	1998
The Qu'Appelle Diocesan Housing Company	\$ 485,788	\$ 389,460
Lumsden & District Heritage Home Inc.	1,019,206	930,103
Cupar & District Nursing Home Inc.	1,370,820	1,033,267
The Salvation Army William Booth Special Care Home	2,603,240	2,465,945
Regina Lutheran Housing Corporation	2,350,979	2,215,100
Santa Maria Senior Citizens Home Inc.	4,109,972	3,840,868
Extendicare Health Services Inc.	10,494,597	10,187,672
Regina Pioneer Village Ltd.	11,523,697	11,029,734
	<u>\$ 33,958,299</u>	<u>\$ 32,092,149</u>

15. Patient and Resident Trust Accounts

The Board administers funds held in trust on behalf of patients and residents utilizing the Board's facilities. The funds are held in separate trust accounts on behalf of the patients or residents at each facility. The total cash held in trust as at March 31, 1999 was \$73,503 (1998- \$71,342). This amount is not reflected in the financial statements.

16. Budget

The Health Plan, which included the budget, was approved by the Board and submitted to the Minister of Health in accordance with *The Health Districts Act*.

17. Insurance

The Board purchases liability insurance from Healthcare Insurance Reciprocal of Canada ("the Reciprocal"). Under the terms of the Subscribers' Agreement, with respect to a policy period where revenues exceed expenses, any premium surplus may be refunded to the Reciprocal's subscribers on a proportionate basis after the subscriber has been enrolled with the Reciprocal for more than four years. This is the Board's fourth year in the agreement with the Reciprocal. Similarly, if there is a deficiency of revenues, the Reciprocal may collect such premium deficiency from its Subscribers on a proportionate basis. The Reciprocal maintains a stabilization fund to cover future deficiencies. Also, the Reciprocal is insured for claims in excess of \$1 million.

18. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that may affect the amount, timing and certainty of future cash flows. Significant terms and conditions for the other financial instruments are disclosed separately in these financial statements.

b) Accounts Receivable

The Board is exposed to credit risk from the potential non-payment of accounts receivable. The majority of the Board's receivables are from Saskatchewan Health-General Revenue Fund, Saskatchewan Workers' Compensation Board, health insurance companies or other Provinces. Therefore, the credit risk is minimal.

c) Fair value

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

- The carrying amounts of these financial instruments approximate fair value due to their immediate or short-term nature:

cash and short term investments
accounts receivable
accounts payable
accrued salaries and vacation payable
- For investments, the fair value of \$2,621,009 (1998 - \$8,386,440) is considered to approximate quoted market values.

19. Uncertainty due to the Year 2000 Issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 is processed. In addition similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant system failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 issue affecting the Board, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

The Board recognizes that some date sensitive equipment and systems may not function properly as a result of the Year 2000 date. To address this issue, the District has established a Year 2000 Committee to co-ordinate District initiatives to identify and rectify potential problems. Initiatives have been categorized and prioritized as being related to Clinical Equipment, Facilities, Information Systems, Communications, Supply Chain or Contingency Planning. As Year 2000 problems are identified, appropriate corrective actions are developed and implemented.

20. Comparative Information

Certain 1998 balances have been reclassified to conform with the current year's presentation.

Schedule 1

REGINA DISTRICT HEALTH BOARD
SCHEDULE OF REVENUES AND EXPENDITURES BY PROGRAM
For the year ended March 31

	1999 Budget Operating Fund (Note 16)	1999 Actual Operating Fund	1998 Actual Operating Fund
Revenues:			
Saskatchewan Health			
- General Revenue Fund	\$ 278,057,292	\$ 282,663,569	\$ 263,069,072
Long-term resident and respite income	2,109,313	2,134,480	2,124,397
Home based service - client fees	800,000	763,086	796,849
Emergency response service fees	1,679,345	1,588,186	1,635,305
Out of Province charges & third party reimbursements	12,729,682	12,178,957	11,841,848
Donations & research grants	---	818,873	1,251,004
Investment income	775,000	547,305	1,020,749
Ancillary revenue	1,858,942	1,951,715	2,237,905
Other	7,546,739	7,876,559	7,476,630
Total revenues	<u>305,556,313</u>	<u>310,522,730</u>	<u>291,453,759</u>
Expenses:			
Acute services	181,418,527	186,762,996	173,003,968
Supportive care services	16,630,902	16,897,398	15,647,484
Grants to affiliates - supportive care	33,592,464	34,272,252	31,952,476
Specialized hospital programs	11,566,591	11,371,264	10,075,572
Home based services	12,001,070	12,080,694	11,780,888
Health improvement initiatives	1,645,654	1,505,869	1,512,109
Health & wellness centres	255,665	222,555	237,663
Community care initiatives	453,786	456,883	421,685
Emergency response services	3,008,037	3,094,356	2,868,953
Alcohol and drug services	1,851,559	1,775,099	1,774,075
Community health services	10,049,512	10,076,617	9,619,751
Mental health services	12,399,553	12,554,231	11,139,160
Rehabilitation services	23,882,837	23,397,221	22,032,396
Trials, studies & research	-	617,340	930,175
Ancillary operations - expenses	174,577	176,033	280,009
Total expenses	<u>308,930,734</u>	<u>315,260,808</u>	<u>293,276,364</u>
(Deficiency) of revenues over expenses	<u>\$ (3,374,421)</u>	<u>\$ (4,738,078)</u>	<u>\$ (1,822,605)</u>



KPMG LLP
Chartered Accountants

AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have audited the statement of financial position of Saskatoon District Health Board as at March 31, 1999 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Saskatoon, Saskatchewan

June 5, 1999



KPMG LLP, a Canadian limited liability partnership established under the laws of Ontario, is a member firm of KPMG International, a Swiss association.

SASKATOON DISTRICT HEALTH BOARD

Statement of Financial Position

March 31, 1999, with comparative figures for 1998

(thousands of dollars)

	Operating Fund	Capital Fund	1999 Total	1998 Total
Assets				
Current assets:				
Cash and short-term investments	\$ 18,230	\$ -	\$ 18,230	\$ 24,565
Accounts receivable:				
Saskatchewan Health	4,893	-	4,893	2,554
Other	7,898	-	7,898	8,148
Inventory	6,372	-	6,372	5,915
Prepaid expenses	1,492	-	1,492	1,284
Due from capital fund	5,997	-	5,997	-
	44,882	-	44,882	42,466
Capital assets (note 2)	-	272,108	272,108	276,719
	\$ 44,882	\$ 272,108	\$ 316,990	\$ 319,185

Liabilities and Fund Balances

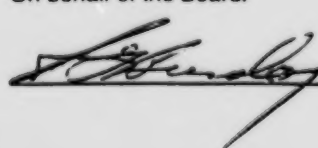
Current liabilities:				
Accounts payable and accrued liabilities	\$ 18,457	\$ 1,051	\$ 19,508	\$ 14,877
Accrued salaries	10,957	-	10,957	5,078
Accrued vacation pay	13,501	-	13,501	13,069
Due to affiliates	923	-	923	-
Deferred revenue (note 3)	1,828	959	2,787	3,112
Current portion of long-term debt	-	59	59	38
Due to operating fund	-	5,997	5,997	-
	45,666	8,065	53,732	35,976
Long-term debt (note 4)	-	466	466	719
Fund balances:				
Operating	(784)	-	(784)	(213)
Capital:				
Internally restricted	-	(8,007)	(8,007)	6,741
Invested in capital assets	-	271,583	271,583	275,764
	(784)	263,576	262,792	282,292

Commitments and contingencies (notes 10 and 11)

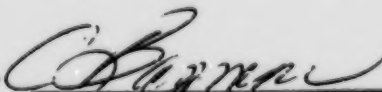
	\$ 44,882	\$ 272,108	\$ 316,990	\$ 319,185
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See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

SASKATOON DISTRICT HEALTH BOARD

Statement of Operations

Year ended March 31, 1999, with comparative figures for 1998

(thousands of dollars)

	Operating Budget	Operating Fund	Capital Fund	1999 Total	1998 Total
Revenue:					
Saskatchewan Health	\$ 296,463	\$ 300,523	\$ 5,900	\$ 306,423	\$ 279,275
Patient and agency charges	11,993	11,202	-	11,202	12,791
Ancillary (note 5)	-	-	11,534	11,534	10,491
Sundry	4,989	4,789	246	5,035	5,600
Other government grants	3,287	3,187	143	3,330	2,273
Donations	-	-	3,017	3,017	3,171
Interest	-	-	1,262	1,262	1,134
	316,732	319,701	22,102	341,803	314,735
Expenses:					
Care Groups:					
Continuing care	10,590	10,748	-	10,748	8,992
Diagnostic services	30,642	32,143	-	32,143	29,740
Emergency	9,327	9,793	-	9,793	8,778
Family health	21,481	21,747	-	21,747	21,326
Maternal / child	27,038	26,901	-	26,901	25,820
Medicine	26,265	27,113	-	27,113	23,744
Mental health	10,514	10,194	-	10,194	11,003
Palliative care	1,280	1,198	-	1,198	1,134
Public health	7,323	7,332	-	7,332	7,256
Rehabilitation and social work	16,310	15,864	-	15,864	14,509
Renal	4,627	4,652	-	4,652	4,341
Surgery	48,170	48,216	-	48,216	46,384
Support services:					
Administration	3,068	3,012	-	3,012	3,006
Ancillary (note 5)	-	-	9,569	9,569	8,672
Communications	418	429	-	429	359
Depreciation	-	-	26,562	26,562	24,079
Environmental services	10,922	11,007	-	11,007	10,126
Finance	3,779	3,720	-	3,720	3,080
Food services	9,546	9,766	-	9,766	9,444
Human resources	4,801	4,581	-	4,581	4,424
Information systems	3,242	3,441	-	3,441	3,424
Materials management	6,790	7,151	-	7,151	6,939
Medical affairs	4,809	4,602	-	4,602	4,484
Patient information	4,677	4,764	-	4,764	4,530
Pharmacy	4,241	4,224	-	4,224	3,959
Property services	12,822	12,835	-	12,835	11,862
Utilization management	494	485	-	485	388
Transfers to affiliated - organizations (note 6)	33,556	34,354	4,900	39,254	33,308
	316,732	320,272	41,031	361,303	335,111
Excess of expenses over revenue \$	-	\$ (571)	\$ (18,929)	\$ (19,500)	\$ (20,376)

See accompanying notes to financial statements.

SASKATOON DISTRICT HEALTH BOARD

Statement of Changes in Fund Balances

Year ended March 31, 1999, with comparative figures for 1998

(thousands of dollars)

	Operating Fund	Capital Fund	1999 Total	1998 Total
Fund balances, beginning of year	\$ (213)	\$ 282,505	\$ 282,292	\$ 302,668
Excess of expenses over revenue	(571)	(18,929)	(19,500)	(20,376)
Fund balances, end of year	\$ (784)	\$ 263,576	\$ 262,792	\$ 282,292

See accompanying notes to financial statements.

SASKATOON DISTRICT HEALTH BOARD

Statement of Cash Flows

Year ended March 31, 1999, with comparative figures for 1998

(thousands of dollars)

	1999	1998
Cash provided by (used in):		
Operations:		
Operating fund excess of expenses over revenue	\$ (571)	\$ (4,593)
Net changes in non-cash operating working capital balances:		
Due from Saskatchewan Health	(2,339)	(1,771)
Other receivables	250	2,155
Inventory	(457)	(32)
Prepaid expenses	(208)	(158)
Accounts payable and accrued liabilities	4,631	3,360
Accrued salaries	5,879	(2,234)
Accrued vacation pay	432	1,210
Due to affiliates	923	-
Deferred revenue	(325)	2,353
	8,215	290
Investing:		
Purchase of capital assets	(21,951)	(6,047)
Proceeds on disposal of capital assets	-	189
	(21,951)	(5,858)
Financing:		
Capital funding - Saskatchewan Health	5,900	1,600
Other capital fund activities	1,733	6,696
Repayment of long-term debt	(232)	(37)
	7,401	8,259
Increase (decrease) in cash position	(6,335)	2,691
Cash position, beginning of year	24,565	21,874
Cash position, end of year	\$ 18,230	\$ 24,565

Cash position consists of cash and short-term investments.

See accompanying notes to financial statements.

SASKATOON DISTRICT HEALTH BOARD

Notes to Financial Statements

Year ended March 31, 1999

Nature of Operations:

The Saskatoon District Health Board ("SDH") was created as a crown corporation by Order-in-Council 143/92 effective February 14, 1992 pursuant to the provisions of *The Crown Corporations Act*, 1978, and was continued under *The Health Districts Act* (the Act) under the name of the Saskatoon District Health Board, effective May 24, 1993. The Act and regulations under the Act assigned SDH the responsibility to coordinate the delivery of certain hospital and community based health and social services in the City of Saskatoon and district.

SDH is comprised of the following health care agencies:

- Royal University Hospital
- Saskatoon City Hospital
- Parkridge Centre
- Ambulance Board
- Calder Centre
- Community based service:
 - Borden Community Health Centre
 - Delisle Community Health & Social Centre
 - Saskatoon District Health Home Care
 - Public Health Services

SDH has entered into a number of affiliation agreements with health care institutions and agencies located within the Saskatoon Health District. The affiliated organizations remain privately owned organizations with funding and advisory input provided by SDH.

SDH has also entered into a Joint Service Management Partnership and a Memorandum of Mutual Understanding and Intent ("the agreements") with one of its affiliates, St. Paul's Hospital (Grey Nuns) of Saskatoon ("St. Paul's"). Through the agreements, SDH and St. Paul's were each given responsibility for the management of designated care groups and support services.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with generally accepted accounting principles. In the preparation of financial statements, management makes various estimates and assumptions in determining the reported amounts of assets and liabilities, revenues and expenses and in the disclosure of commitments and contingencies. Changes in estimates and assumptions will occur based on the passage of time and the occurrence of certain future events.

The following is a summary of the significant accounting policies used in the preparation of these financial statements:

(a) Basis of presentation:

The agreements between SDH and St. Paul's assign joint operating responsibility for care groups and support services. As a result of this relationship, the financial statements of St. Paul's have been combined with the financial statements of SDH.

SASKATOON DISTRICT HEALTH BOARD

Notes to Financial Statements - continued

Year ended March 31, 1999

1. Significant accounting policies - continued:

(a) Basis of presentation - continued:

These financial statements do not include the financial activities of other affiliates of SDH. Note 6 describes the financial position and results of operations of these other affiliates.

Several Foundations raise funds exclusively for programs and equipment at facilities owned by SDH. The Foundations are incorporated under the Non-Profit Corporation Act and are registered charities under the Income Tax Act. These financial statements do not include the financial activities of these Foundations. Note 7 describes the financial position and results of operations of the Foundations.

(b) Fund accounting:

The accounts of SDH are maintained in accordance with the principles of fund accounting. For financial reporting purposes, accounts with similar characteristics have been combined into the following major funding groups:

i) Operating fund:

The operating fund consists of the primary operations of SDH and reflects revenues from Saskatchewan Health - General Revenue Fund ("Saskatchewan Health"), billings to patients and other third party agencies for services and other revenue as designated for operations by SDH. Expenses are for delivery of health services.

ii) Capital fund:

The capital fund is a restricted fund that reflects the equity of SDH invested in and available for the acquisition or construction of capital assets. The capital fund includes revenues received from Saskatchewan Health, donations, interest and net ancillary revenues designated for capital asset acquisitions. Expenses consist primarily of depreciation.

c) Revenue:

Unrestricted operating and capital fund revenue is recognized when the revenue is received or receivable. Restricted operating revenue is recognized when designated services are provided.

d) Capital assets:

Capital assets are recorded at cost. Normal maintenance and repairs are expensed as incurred. Capital assets are amortized from the date of acquisition on a straight line basis over their estimated useful lives as follows:

Asset	Rate
Buildings	2% to 10%
Land and leasehold improvements	5% to 10%
Equipment	5% to 20%

SASKATOON DISTRICT HEALTH BOARD

Notes to Financial Statements - continued

Year ended March 31, 1999

1. Significant accounting policies - continued:

e) Inventory:

Inventories of supplies consist of medical and surgical supplies, drugs, laboratory supplies, linen and other general supplies. All inventories are valued at cost determined on a first in, first out basis.

f) Financial Instruments:

The majority of SDH's receivables are from government departments and agencies and therefore the credit risk from non-payment of accounts is minimal.

The carrying value of financial instruments, including cash and short term investments, receivables and payables approximate fair value due to their short term nature.

The carrying value of long-term debt approximates fair value calculated based on discounted cash flows using current interest rates.

2. Capital assets:

(thousands of dollars)

	1999		1998	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land and land improvements	\$ 2,746	\$ 1,284	\$ 1,462	\$ 1,556
Buildings and leasehold improvements	335,458	111,402	224,056	234,621
Furniture and equipment	133,790	98,263	35,527	38,736
Capital projects in progress	11,063	—	11,063	1,806
	\$ 483,057	\$ 210,949	\$ 272,108	\$ 276,719

SASKATOON DISTRICT HEALTH BOARD

Notes to Financial Statements - continued

Year ended March 31, 1999

3. Deferred revenue:

(thousands of dollars)

	1999	1998
Internet and tele-medicine funding	\$ 859	\$ 1,100
Workplace wellness	541	541
Research funding	352	161
Other	338	151
Acquired brain injury	210	482
Poison and Drug administration	150	-
Interdistrict transfers	123	-
Access initiatives	104	-
Neonatal transport	90	-
Fit for Active Living	20	90
Nuclear medicine	-	280
Pediatric transport team	-	157
Renal transplant	-	150
	\$ 2,787	\$ 3,112

4. Long-term debt:

(thousands of dollars)

	1999	1998
Demand loan repayable in monthly installments of \$7,790 including interest at prime plus 1%. Loan is unsecured.	\$ 525	\$ 757
Current portion of long-term debt	59	38
	\$ 466	\$ 719

The aggregate required amounts of principal repayments over the next five years are as follows
(thousands of dollars):

2000	\$ 59
2001	62
2002	71
2003	75
2004	83
Thereafter	175

SASKATOON DISTRICT HEALTH BOARD

Notes to Financial Statements - continued

Year ended March 31, 1999

5. Ancillary operations:

(thousands of dollars)

	1999			1998	
	Revenue	Expenses	Net	Net	
Coffee shop	\$ 1,454	\$ 1,063	\$ 391	\$ 466	
Nurses' residence	110	51	59	62	
Other	234	151	83	24	
Out-patient dispensary	7,458	7,474	(16)	(53)	
Parkade	2,070	512	1,558	1,456	
Spiritual care	208	318	(110)	(136)	
	\$ 11,534	\$ 9,569	\$ 1,965	\$ 1,819	

6. Affiliated organizations:

During the year, SDH provided funding to the following affiliated organizations:

(thousands of dollars)

	1999	1998
Sherbrooke Community Centre (operating and capital)	\$ 13,677	\$ 8,764
Lutheran Sunset Home	3,506	3,516
Sunnyside Nursing Home	2,310	2,289
Oliver Lodge	2,041	1,990
Extendicare	2,029	2,012
St. Anne's Senior Citizens Village	1,799	1,852
Porteous Lodge	1,772	1,768
St. Joseph's Home for the Aged	1,650	1,633
Stensrud Lodge	1,644	1,568
Circle Drive Special Care Home	1,526	1,486
Saskatoon Convalescent Home	1,478	1,494
Community-based organizations	1,384	1,327
Central Haven Special Care Home	1,119	1,135
Salvation Army Eventide Home	858	861
Spruce Manor Special Care Home	745	723
Warman Mennonite Special Care Home	478	453
Langham Senior Citizens Home	388	391
Sister's of Zion	50	46
Retroactive funding not yet allocated	800	-
	\$ 39,254	\$ 33,308

SASKATOON DISTRICT HEALTH BOARD

Notes to Financial Statements - continued

Year ended March 31, 1999

6. Affiliated organizations - continued:

The following represents the financial position, results of operations and cash flow for affiliated organizations which have not been combined in these financial statements:

(thousands of dollars)

	1999	1998
Financial Position		
Assets	\$ 70,077	\$ 62,311
Liabilities	37,382	29,302
Fund balances	32,695	33,009
	\$ 70,077	\$ 62,311
Results of Operations		
Revenue	\$ 55,923	\$ 53,799
Expenses	56,237	54,253
Excess of expenses over revenue	\$ (314)	\$ (454)
Cash flows		
Cash provided by (used in):		
Operations	\$ 1,480	\$ 3,072
Financing	7,414	(296)
Investing	(8,836)	(1,119)
Increase in cash	\$ 58	\$ 1,657

7. Foundations:

During the year, Royal University, Saskatoon City Hospital and St. Paul's Foundation provided funding of approximately \$2.9 million (1998 - \$3.1 million) for programs and capital acquisitions reported in donation and ancillary revenue.

In addition, the Foundations provided scholarships and education funding to employees of SDH of \$668,000 (1998 - \$382,000) which is not reflected in these financial statements.

SASKATOON DISTRICT HEALTH BOARD

Notes to Financial Statements - continued

Year ended March 31, 1999

7. Foundations - continued:

The following represents the financial position, results of operations and cash flow for the three Foundations which have not been combined in these financial statements:

(thousands of dollars)

	1999	1998
Financial Position		
Assets	\$ 15,314	\$ 12,024
Liabilities	\$ 1,991	\$ 721
Fund balances	13,323	11,303
	\$ 15,314	\$ 12,024
Results of Operations		
Revenue	\$ 6,832	\$ 4,432
Donations for equipment and programs	(2,913)	(3,075)
Scholarship and education funding	(668)	(382)
Expenses	(1,231)	(1,104)
Excess (deficiency) of revenue over expenses	\$ 2,020	\$ (129)
Cash flows		
Cash provided by (used in):		
Operations	\$ 3,331	\$ (397)
Financing	(928)	(26)
Investing	(3)	(446)
Increase (decrease) in cash	\$ 2,400	\$ (869)

SASKATOON DISTRICT HEALTH BOARD

Notes to Financial Statements - continued

Year ended March 31, 1999

8. Related party transactions:

Included in these financial statements are transactions with various Crown-controlled departments, agencies and corporations with which SDH is related by virtue of the economic interests of the Government of Saskatchewan. Transactions with these parties are in the normal course of operations at standard rates and settled on normal trade terms.

The recorded amounts of transactions with these parties during the year are as follows:

(thousands of dollars)

	1999	1998
Revenue	\$ 5,199	\$ 4,485
Expenses	(26,476)	(22,839)

The majority of pension plans as disclosed in note 9 are managed by related parties and there are lease agreements with related parties as disclosed in note 10.

9. Pensions:

Employees of SDH participate in several multi-employer defined benefit pension plans which are the responsibility of the Saskatchewan Association of Health Organizations and the Province of Saskatchewan. SDH's financial obligation to these plans is limited to making the required payments to match amounts contributed by employees for current services. Pension expense for the year amounted to \$6.9 million (1998 - \$6.4 million) and is included in salaries and benefits.

10. Lease arrangements and other commitments:

- a) Saskatchewan Health has entered into an agreement directly with the Saskatchewan Property Management Corporation with respect to occupancy costs for the Parkridge Centre. Accordingly, the Centre is not required to make rental payments.
- b) SDH has a 21-year land lease arrangement with the University of Saskatchewan expiring June 30, 2019 with respect to the Royal University Hospital parkade and hospital facility. The required lease payments are \$1 per year.
- c) SDH has a monthly house lease for McKerracher Centre with the University of Saskatchewan for an indefinite period. The lease payments are \$250 per month.
- d) SDH has a 99-year land lease expiring June 30, 2082, with the Board of Education of the Saskatoon School Division No. 13 for the Brunskill School. Required lease payments are \$1 per year.

SASKATOON DISTRICT HEALTH BOARD

Notes to Financial Statements - continued

Year ended March 31, 1999

10. Lease arrangements and other commitments - continued:

- (f) Minimum annual rentals under operating leases on property and equipment over the next five years are as follows (in thousands of dollars):

2000	\$	618
2001		737
2002		551
2003		421
2004		195

- (g) SDH has committed to project expenditures of \$6.7 million relating to information systems and Year 2000 capital upgrades over the next two years.

11. Contingencies:

Legal claims

SDH, along with others, is a defendant to several claims which have been brought against it over the years as a result of its medical operations. SDH believes these claims are without merit or are covered by insurance and accordingly has not made any provision for losses in their accounts. Settlements, if any, in excess of insurance coverage, would be accounted for as a charge against operations in the period in which settlements arise.

Contract claim

SDH and one of its suppliers are currently negotiating retroactive charges claimed by the supplier under a contract which commenced in 1996. The amount owing by SDH under this contract, if any, has not yet been determined. Management believes that the amount would not have a material impact on these financial statements.

Year 2000

SDH's computer systems may be impacted before, on or after January 1, 2000 as a result of the "Year 2000 Issue". The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems during 1999 where "99" has been programmed to represent something other than a date. If the Year 2000 Issue is not addressed, the impact on operations and financial reporting may range from minor errors to significant system failure which could affect an entity's ability to conduct normal operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting SDH, including those related to the efforts of funding agencies, suppliers or other third parties, will be fully resolved.

SDH has established a Year 2000 project team which has completed an inventory of systems and medical equipment which may be impacted by Year 2000. The project team is presently working with senior management and vendors to establish appropriate courses of action.

SASKATOON DISTRICT HEALTH BOARD

Notes to Financial Statements - continued

Year ended March 31, 1999

12. Operating budget:

The budget, which is included in SDH's Health Plan, was approved by the Board and submitted to the Minister of Health in accordance with *The Health Districts Act*.

13. Comparative figures:

Certain of the 1998 comparative figures have been reclassified to conform to the current year's presentation.

14. Subsequent event:

Subsequent to March 31, 1999, SDH in conjunction with the Saskatchewan Association of Health Organizations, entered into collective bargaining negotiations with two unions representing SDH employees. Unionized employees have ratified contracts with a 2% salary increase effective January 1, 1998 and a further 2% plus special adjustments effective January 1, 1999. These contracts have not yet been ratified by SDH.

These financial statements reflect SDH's estimated liability for retroactive adjustments, in the amount of \$4.2 million, based on the proposed contracts.

The Government of the Province of Saskatchewan has committed to the Saskatchewan Association of Health Organizations that incremental costs resulting from collective bargaining will be fully funded. As a result, SDH has recorded a receivable from Saskatchewan Health of \$ 4.2 million to reflect this funding commitment.

SASKATOON DISTRICT HEALTH BOARD

Schedules of Operating Fund Expenses

Year ended March 31, 1999, with comparative figures for 1998

Schedule 1

(thousands of dollars)

	1999	1998
Salaries	\$ 181,123	\$ 171,251
Other	42,238	38,439
Transfers to affiliated organizations (note 6)	34,354	33,308
Employee benefits	25,150	23,530
Medical and surgical supplies and drugs	24,759	23,954
Facility	9,387	8,657
Food	2,545	2,525
Laundry	716	586
	\$ 320,272	\$ 302,250

Schedule 2

(thousands of dollars)

	1999	1998
Acute services *	\$ 221,939	\$ 207,705
Supportive care services	46,080	43,153
Home based services	16,217	15,523
Health Improvement initiatives	48	286
Health and wellness centers	606	606
Community care initiatives	627	352
Emergency response services	1,352	1,153
Addictions services	3,338	3,676
Community health services	8,783	8,634
Mental health services	11,144	11,916
Rehabilitation services	10,138	9,246
	\$ 320,272	\$ 302,250

* All support services are reported under acute services.

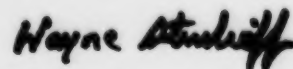
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the St. Louis Alcoholism Rehabilitation Centre as at March 31, 1999 and the statements of operations, cash flows, and changes in net assets for the year then ended. The Centre's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the St. Louis Alcoholism Rehabilitation Centre as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
July 21, 1999

Wayne Strelloff, CA
Provincial Auditor

Statement 1

ST. LOUIS ALCOHOLISM REHABILITATION CENTRE
STATEMENT OF FINANCIAL POSITION
As at March 31

	<u>1999</u>	<u>1998</u>
ASSETS		
Current Assets:		
Cash	\$ 10,445	\$ 32,143
Restricted cash	38,083	20,000
Accounts receivable	3,217	3,595
Inventory, at cost	8,173	5,176
Prepaid expenses	<u>2,766</u>	<u>766</u>
Total current assets	<u>62,684</u>	<u>61,680</u>
Capital assets (notes 2 and 6)	<u>24,929</u>	<u>33,567</u>
	<u>\$ 87,613</u>	<u>\$ 95,247</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued charges	\$ 6,426	\$ 9,960
Due to Saskatchewan Health	<u>—</u>	<u>22,183</u>
Total current liabilities	<u>6,426</u>	<u>32,143</u>
Net Assets: (note 5)		
Net assets invested in capital assets	24,929	33,567
Net assets externally restricted		
- Equipment and furnishings reserve	38,083.	20,000
Unrestricted net assets	<u>18,175</u>	<u>9,537</u>
Total net assets (statement 4)	<u>81,187</u>	<u>63,104</u>
	<u>\$ 87,613</u>	<u>\$ 95,247</u>

(See accompanying notes to the financial statements)

Statement 2

ST. LOUIS ALCOHOLISM REHABILITATION CENTRE
STATEMENT OF OPERATIONS
Year Ended March 31

	1999		1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(note 11)		
Revenue:			
General Revenue Fund			
- Saskatchewan Health	\$ 673,320	\$ 673,320	\$ 625,625
Interest	—	1,213	695
Miscellaneous	—	6,960	8,397
	<u>673,320</u>	<u>681,493</u>	<u>634,717</u>
Expenditures:			
Salaries and employee benefits	499,921	487,045	443,676
Food	50,000	44,778	46,064
Utilities	41,000	37,887	37,202
Rent (note 3)	30,193	30,000	33,480
Miscellaneous	8,750	6,998	6,923
Building maintenance	7,307	12,168	16,521
Vehicle expenses	6,400	6,323	7,603
Printing, postage and office supplies	5,200	4,984	5,872
Board honoraria and expenses	7,999	4,458	6,528
Insurance	4,700	4,352	4,241
Professional services	2,050	—	754
Contractual services	5,000	7,693	36,099
Staff training and travel	4,000	1,736	1,309
Furniture and equipment rental	800	3,743	4,106
Amortization of capital assets	—	6,142	9,367
Loss on disposal of assets	—	5,103	—
	<u>673,320</u>	<u>663,410</u>	<u>659,745</u>
Excess (deficiency) of revenue			
over expenditure (statement 4)	\$ —	\$ 18,083	\$ (25,028)

(See accompanying notes to the financial statements)

Statement 3

ST. LOUIS ALCOHOLISM REHABILITATION CENTRE
STATEMENT OF CASH FLOWS
Year Ended March 31

	<u>1999</u>	<u>1998</u>
Cash from operating activities		
Excess (deficiency) of revenue over expenditure	\$ 18,083	\$ (25,028)
Amortization of capital assets	6,142	9,367
Loss on disposal of capital assets	5,103	—
Net change in non-cash working capital balances related to operations (note 7)	<u>(30,336)</u>	<u>32,057</u>
Net cash generated through operating activities	(1,008)	16,396
Financing and Investing activities		
Proceeds on disposal of assets	1,350	—
Acquisition of capital assets	<u>(3,957)</u>	<u>(5,439)</u>
Net (increase) decrease in cash	(3,615)	10,957
Cash, beginning of year	<u>52,143</u>	<u>41,186</u>
Cash, end of year	<u>\$ 48,528</u>	<u>\$ 52,143</u>
Cash	10,445	32,143
Restricted Cash	<u>38,083</u>	<u>20,000</u>
Total Cash	<u>\$ 48,528</u>	<u>\$ 52,143</u>

(See accompanying notes to the financial statements)

Statement 4

ST. LOUIS ALCOHOLISM REHABILITATION CENTRE
STATEMENT OF CHANGES IN NET ASSETS
Year Ended March 31

	1999				1998
	Invested in Capital Assets	Restricted for Equipment & Furnishing Reserve	Unrestricted	Total	Total
Balance, beginning of year	\$ 33,567	\$ 20,000	\$ 9,537	\$ 63,104	\$ 88,132
Excess (deficiency) of revenue over expenditure	(12,595)		30,678	18,083	(25,028)
Investment in capital assets	3,957		(3,957)	—	—
Transfer to (from) reserve (Note 5(b))		18,083	(18,083)		—
Balance, end of year	<u>\$ 24,929</u>	<u>\$ 38,083</u>	<u>\$ 18,175</u>	<u>\$ 81,187</u>	<u>\$ 63,104</u>

(See accompanying notes to the financial statements)

**ST. LOUIS ALCOHOLISM REHABILITATION CENTRE
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Authority

Pursuant to Section 85 of *The Public Health Act*, a board of governors was established on February 1, 1979 to operate an alcoholism rehabilitation hospital to be known as the St. Louis Alcoholism Rehabilitation Centre (the Centre). The Centre commenced operations on October 1, 1979.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles and include the following significant accounting policies:

a) Capital Assets

Capital assets are recorded at cost. Normal maintenance and repairs are expensed as incurred. Capital assets are amortized on a straight-line basis over their estimated useful lives (5 to 20 years). Assets costing less than \$200 are expensed in the current year.

b) Revenue

Revenue includes contributions from General Revenue Fund - Saskatchewan Health. Amounts are included in revenue in the year in which they are received or receivable.

3. Commitments

a) Operating Lease

The Centre's land and buildings have been leased for a period of three years to March 31, 2001 at a cost of \$30,000 per year.

b) Capital Asset Acquisition

At March 31, 2000, the centre is committed to purchase a van for \$38,032.

4. Other Activities

The Centre's canteen provides miscellaneous items to staff and clients. It is operated by staff of the Centre on a volunteer basis and does not form part of the Centre's operations. Canteen profits and any client donations received are used to purchase recreation equipment for the use of clients.

The Centre also holds funds in safekeeping for clients during their stay at the Centre. These funds are kept at the Centre and do not earn interest.

The above activities are not reflected in these financial statements.

5. Net Assets

a) Unrestricted Net Assets

This represents advances received from Saskatchewan Health (a related party) and is reduced by: amounts required to pay expenses and amounts recovered by Saskatchewan Health as set out by the Health Reserve Policy and Financial Reporting Guide.

b) Externally Restricted for Equipment and Furnishing Reserve

The Health Reserve Policy and Financial Reporting Guide allows the Centre to retain annually a surplus from operations to a maximum of \$20,000 provided the amounts are transferred to the Equipment and Furnishing Reserve. The maximum of \$20,000 may be exceeded with approval from Saskatchewan Health.

6. Capital Assets

	1999			1998		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture & equipment	\$ 75,499	\$ 50,570	\$ 24,929	\$ 122,957	\$ 89,390	\$ 33,567

7. Non-Cash Working Capital Changes

	1999	1998
Decrease (increase) in accounts receivable	\$ 378	\$ (184)
(Increase) decrease in inventory	(2,997)	311
(Increase) decrease in prepaid expenses	(2,000)	7,183
(Decrease) increase in accounts payable and accrued charges	(3,534)	2,564
(Decrease) increase in due to Saskatchewan Health	(22,183)	22,183
	<u>\$ (30,336)</u>	<u>\$ 32,057</u>

8. Fair Value

Cash, accounts receivable and accounts payable are all short-term in nature and as such their carrying value approximates fair value.

9. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the

Foundation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

The following table summarizes St. Louis' related party transactions that are in the normal course of operations. These transactions are recorded at exchange amounts agreed to by the related parties. These transactions are as follows:

	<u>1999</u>	<u>1998</u>
Operating revenues - Grant from Department of Health	\$ 673,320	\$ 625,625
Operating expenses - various	98,083	61,032
Due to Saskatchewan Health	0	22,183

10. Pension Plan

The Centre participates in the Public Employees Pension Plan which is a defined contribution plan. The Centre's financial obligation to the Plan is limited to making regular payments to match the amounts contributed by employees for current service. The Centre's pension expense for 1999 amounts to \$19,138 (1998 - \$16,075) and is included in Salaries and employee benefits.

11. Budget

These amounts represent the budget approved by the Centre's Board of Governors.

12. Uncertainty due to the Year 2000 Issue

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 is processed. In addition similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the year 2000 issue may be experienced before on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant system failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 issue affecting the Board, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

AUDITOR'S REPORT

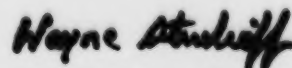
To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Commercial Revolving Fund as at March 31, 1999 and the statements of operations and accumulated operating surplus/deficit, and changes in accumulated net recovery/expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
September 13, 1999



Wayne Strelloff, CA
Provincial Auditor

Statement 1

**COMMERCIAL REVOLVING FUND
BALANCE SHEET
As at March 31**

	<u>1999</u>	<u>1998</u>
ASSETS		
Current assets:		
Accounts receivable	\$ 242,751	\$ 233,112
Inventories	134,165	132,372
Accumulated net recovery (Statement 3)	<u>202,257</u>	<u>---</u>
	579,173	365,484
Capital assets (Note 5)	<u>759,337</u>	<u>752,992</u>
	<u>\$ 1,338,510</u>	<u>\$ 1,118,476</u>
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable	\$ 483,411	\$ 390,251
Unearned revenue (Note 6)	<u>13,266</u>	<u>203,648</u>
	<u>496,677</u>	<u>593,899</u>
Non-current liabilities:		
Accumulated net expenditure (Statement 3)	<u>---</u>	<u>469,242</u>
Fund equity:		
Accumulated operating surplus (Statement 2)	<u>841,833</u>	<u>55,335</u>
	<u>\$ 1,338,510</u>	<u>\$ 1,118,476</u>

(See accompanying notes to the financial statements)

Statement 2

COMMERCIAL REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED
OPERATING SURPLUS/DEFICIT
For the Year Ended March 31

	1999		1998
	Budget	Actual	Actual
Revenues:			
Campground	\$ 2,873,000	\$ 3,340,502	\$ 2,908,193
Cottage lots/permits	1,500,000	1,550,931	1,546,466
Park entry	1,281,000	1,469,274	1,350,680
Surface leases	493,000	571,727	474,139
Other revenue	231,000	425,946	349,800
Commercial leases	433,000	393,501	444,121
Accommodation	225,000	288,772	259,704
Swimming pool fees	130,000	161,937	147,458
Hay & grazing fees	155,000	157,778	159,392
	<u>7,321,000</u>	<u>8,360,368</u>	<u>7,639,953</u>
Expenses:			
Wages	6,849,870	7,398,357	7,042,334
Material, supplies & freight	1,000,253	936,282	1,160,456
Repairs & maintenance	624,150	756,952	628,137
Utilities	554,855	753,325	574,161
Vehicle rentals	622,178	672,185	633,901
Other expenses	243,936	283,727	363,515
Postage & communications	196,136	279,953	199,067
Amortization	350,000	231,630	249,122
Equipment rentals	196,569	196,960	216,121
Publicity & advertising	148,639	184,787	188,213
Travel & sustenance	120,414	155,712	128,627
	<u>10,907,000</u>	<u>11,849,870</u>	<u>11,383,654</u>
Loss from operations	(3,586,000)	(3,489,502)	(3,743,701)
Subsidy from General Revenue Fund	<u>3,586,000</u>	<u>4,276,000</u>	<u>4,006,000</u>
Net income	<u>\$ —</u>	<u>786,498</u>	<u>262,299</u>
Accumulated operating surplus/(deficit), beginning of year		55,335	(206,964)
Accumulated operating surplus, end of year - to Statement 1		<u>\$ 841,833</u>	<u>\$ 55,335</u>

(See accompanying notes to the financial statements)

Statement 3

COMMERCIAL REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED
NET RECOVERY/EXPENDITURE
For the Year Ended March 31

	<u>1999</u>	<u>1998</u>
Financing (provided by) required for operating activities:		
Net income	\$ (786,498)	\$ (262,299)
Items not affecting working capital		
- amortization	(231,630)	(249,122)
- gain on disposal of capital assets	2,044	8,610
Net increase (decrease) in working capital items related to operations (Note 7)	<u>108,654</u>	<u>(96,039)</u>
	<u>(907,430)</u>	<u>(598,850)</u>
Financing (provided by) required for investing activities:		
Purchase of capital assets	237,997	245,564
Proceeds from sale of capital assets	<u>(2,066)</u>	<u>(9,651)</u>
	<u>235,931</u>	<u>235,913</u>
Net decrease in financing requirements	(671,499)	(362,937)
Accumulated net expenditure, beginning of year	<u>469,242</u>	<u>832,179</u>
Accumulated net (recovery)/expenditure, end of year - to Statement 1	<u>\$ (202,257)</u>	<u>\$ 469,242</u>

(See accompanying notes to the financial statements)

COMMERCIAL REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Authority and Definition of Reporting Entity

The Revolving Fund operates under the authority of section 18 of *The Natural Resources Act*. The purpose of the Revolving Fund is to conduct commercial activity required for the promotion, development and management of provincial parks.

2. Significant Accounting Policies

The financial statements are prepared using generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Recovery/Expenditure and Note 7. The following accounting policies are considered significant:

a) Net (Recovery)/Expenditure

The net (recovery)/expenditure is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net (Recovery)/Expenditure

The accumulated net (recovery)/expenditure of the Revolving Fund includes the following:

- i) the net (recovery)/expenditure for each fiscal year; and
- ii) the book value of assets acquired at no charge from another government agency.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value.

d) **Capital Assets**

Amortization is calculated on the straight-line basis. Annual rates are from 15% to 25% for equipment and 10% for furnishings.

3. **Authorized Financing**

Section 18(10) of *The Natural Resources Act* specifies that the maximum balance amount of accumulated net expenditure which may be outstanding at any time will be set by order of the Lieutenant Governor in Council. A maximum amount of \$4,000,000 was established by Order in Council 516/94.

4. **Disposition of Accumulated Operating Surplus or Deficit**

In accordance with section 18(4) of *The Natural Resources Act*, the Minister shall pay to the General Revenue Fund all or any part of any surplus in the Revolving Fund that Treasury Board may direct. Treasury Board has specified that the maximum accumulated surplus/deficit for the Revolving Fund shall be \$350,000. Treasury Board has also specified that if at the end of a fiscal year the accumulated surplus/deficit exceeds the maximum, then any surplus/deficit in excess of the maximum shall, as soon as possible after the close of the fiscal year, be paid to/from the General Revenue Fund.

However, if any deficit is in fact a subsidy and not a deficit due to business fluctuations, it must be recovered from the General Revenue Fund (Department of Environment and Resource Management's appropriation) in the same year. The Department budgets for a subsidy to the Revolving Fund in the same year that the deficit is expected to occur.

5. **Capital Assets**

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	\$ 5,860,328	\$ 5,136,692	\$ 723,636	\$ 716,610
Furniture and fixtures	<u>337,333</u>	<u>301,632</u>	<u>35,701</u>	<u>36,382</u>
Total Capital Assets	<u>\$ 6,197,661</u>	<u>\$ 5,438,324</u>	<u>\$ 759,337</u>	<u>\$ 752,992</u>

6. Unearned Revenue

Unearned revenue includes monies received in advance for leases involving park land. Revenue for leases is recognized in the year to which the leases relate.

7. Net Change in Working Capital Items Related to Operations

	<u>1999</u>	<u>1998</u>
Increase in accounts receivable	\$ 9,639	\$ 78,575
Increase (decrease) in inventories	1,793	(42,279)
(Increase) decrease in accounts payable	(93,160)	31,681
Decrease (increase) in unearned revenue	<u>190,382</u>	<u>(164,016)</u>
	<u>\$ 108,654</u>	<u>\$ (96,039)</u>

8. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are settled on normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

<u>Category</u>	<u>1999</u>	<u>1998</u>
Expenses	\$ 1,786,091	\$ 1,584,386
Accounts payable	11	156,502

In addition, the Revolving Fund pays Saskatchewan Education and Health tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

The Department of Environment and Resource Management is responsible for the acquisition of provincial park land. Therefore, park land is not reflected in these financial statements. However, in accordance with *The Natural Resources Act*, the Revolving Fund is credited with all rents and fees with respect to park land.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by the various departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

9. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

10. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable, accumulated net recovery and accounts payable. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Fund's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the

Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

12. Amount Reported in Public Accounts

The net recovery of the Revolving Fund reported in Public Accounts is the net income of the Revolving Fund adjusted for the following differences in accounting policies between the Revolving Fund and the General Revenue Fund:

	1999	1998
Net income	\$ 786,498	\$ 262,299
(Increase)/decrease in inventory	(1,793)	42,279
(Increase)/decrease in net capital assets	<u>(6,345)</u>	<u>4,599</u>
Net recovery reported in Public Accounts	<u>\$ 778,360</u>	<u>\$ 309,177</u>

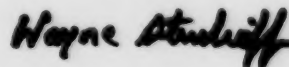
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Conservation and Development Revolving Fund as at March 31, 1999 and the statements of operations and accumulated operating (deficit) surplus, and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
August 4, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

CONSERVATION AND DEVELOPMENT REVOLVING FUND
BALANCE SHEET
As at March 31

	<u>1999</u>	<u>1998</u>
ASSETS		
Current assets:		
Accounts receivable	\$ 277,471	\$ 154,116
Inventory	<u>366,483</u>	<u>405,818</u>
	643,954	559,934
Capital assets (Note 5)	<u>2,137,358</u>	<u>1,816,909</u>
	<u><u>\$ 2,781,312</u></u>	<u><u>\$ 2,376,843</u></u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 247,651	\$ 300,461
Unearned revenue	<u>28,494</u>	<u>7,379</u>
	276,145	307,840
Non-current liabilities:		
Accumulated net expenditure (Statement 3)	<u>2,864,332</u>	<u>1,811,597</u>
Equity:		
Accumulated operating (deficit) surplus (Statement 2)	<u>(359,165)</u>	<u>257,406</u>
	<u><u>\$ 2,781,312</u></u>	<u><u>\$ 2,376,843</u></u>

(See accompanying notes to the financial statements)

Statement 2

CONSERVATION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING (DEFICIT) SURPLUS
For the Year Ended March 31

	Budget 1999	Actual 1999	Actual 1998
REVENUES	(Note 6)		
Grazing	\$ 4,900,000	\$ 4,570,763	\$ 4,660,898
Bull wintering	325,000	310,419	278,338
Cow wintering	170,000	238,821	142,206
Backgrounding	80,000	76,328	31,438
House rent	60,000	62,357	61,203
Well site and roadway easements	40,000	55,761	53,044
Seismic easement	75,000	30,722	159,005
Hay	30,000	18,730	16,245
Breeding	—	560	17,283
Other	—	22,550	100,450
	<u>5,680,000</u>	<u>5,387,011</u>	<u>5,520,110</u>
EXPENSES			
Salaries	2,628,530	2,593,266	2,352,457
Taxes	800,000	812,486	783,270
Repairs and improvements	683,000	719,128	1,193,924
Seed and forage	200,000	436,716	182,047
Rental of equipment, horses and other	310,205	322,904	319,469
Travel	300,900	308,507	338,596
Amortization	120,000	218,853	157,270
Small tools, equipment and supplies	216,430	198,986	241,232
Veterinary fees and supplies	96,517	111,627	92,904
Utilities	118,000	105,638	124,497
Telephone	80,000	104,782	102,805
Bad debt expense	—	14,158	6,804
Loss on disposal of capital assets	—	10,858	—
Freight and postage	15,000	8,193	14,481
Advertising and printing	10,500	7,896	11,364
Decline in value of bulls not sold	—	1,000	—
Other	69,800	28,584	41,584
	<u>5,648,882</u>	<u>6,003,582</u>	<u>5,962,704</u>
Net income (loss) (Note 8)	31,118	(616,571)	(442,594)
Accumulated operating surplus, beginning of year	257,406	257,406	750,734
Transfer to General Revenue Fund (Note 4)	—	—	(50,734)
Accumulated operating (deficit) surplus, end of year - to Statement 1	<u>\$ 288,524</u>	<u>\$ (359,165)</u>	<u>\$ 257,406</u>

(See accompanying notes to the financial statements)

Statement 3

CONSERVATION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	<u>1999</u>	<u>1998</u>
Financing required for (provided by) operating activities:		
Net loss	\$ 616,571	\$ 442,594
Items not affecting working capital:		
Amortization	(218,853)	(157,270)
Bad debt expense	(14,158)	(6,804)
Decline in value of bulls not sold	(1,000)	—
Loss on disposal of capital assets	(10,858)	—
Net increase in working capital items related to operations (Note 12)	<u>218,253</u>	<u>302,202</u>
	<u>589,955</u>	<u>580,722</u>
Financing required for (provided by) investing activities:		
Purchase of capital assets	478,951	844,392
Proceeds from sale of capital assets	<u>(16,171)</u>	<u>—</u>
	<u>462,780</u>	<u>844,392</u>
Financing activities:		
Payment to General Revenue Fund	<u>—</u>	<u>50,734</u>
Net increase in financing requirements	1,052,735	1,475,848
Accumulated net expenditure, beginning of year	<u>1,811,597</u>	<u>335,749</u>
Accumulated net expenditure, end of year - to Statement 1	<u>\$ 2,864,332</u>	<u>\$ 1,811,597</u>

(See accompanying notes to the financial statements)

CONSERVATION AND DEVELOPMENT REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Authority and Definition

The Conservation and Development Revolving Fund was established pursuant to Section 16 of *The Department of Agriculture Act*. In 1994-95, the Revolving Fund was reactivated to facilitate the management and administration of the Community Pasture Program previously operated by the Department of Agriculture and Food.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 12. The following policies are considered significant:

a) Net Expenditure (Recovery)

The net expenditure (recovery) is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) of the Revolving Fund includes the following:

- i) the net expenditure (recovery) for each fiscal year; and
- ii) the book value of assets acquired at no charge from another government agency.

c) Inventory

Inventory is valued at the lower of cost and net realizable value. Inventory consists of livestock, repair parts, livestock feed, minerals and fencing supplies.

d) **Capital Assets and Amortization**

Capital assets are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations and accumulated operating surplus.

Amortization of all capital assets is charged to operations using the straight-line method at the following rates:

Fencing and corrals	10%
Water sites	5%
Buildings	5%
Equipment	10%
Office equipment	25%
Land improvements	10%

Assets acquired or disposed of by the Revolving Fund during the year are amortized at 50% of the above rates for the year of acquisition and disposal.

e) **Unearned Revenue**

Unearned revenue consists of grazing revenue that will be earned in future periods. These amounts are included in income when the revenue is earned.

3. **Authorized Financing**

Subsection 16(11) of *The Department of Agriculture Act* provides for a maximum accumulated net expenditure which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 1859/83 established a maximum accumulated net expenditure of \$10,000,000.

4. **Disposition of Accumulated Operating Surplus (Deficit)**

In accordance with subsection 16(5) of *The Department of Agriculture Act*, the Minister shall pay to the General Revenue Fund all or any part of any surplus in the Revolving Fund that Treasury Board may direct. Treasury Board has specified that the maximum accumulated operating surplus (deficit) for the Revolving Fund shall be \$700,000. Treasury Board has also specified that if at the end of the fiscal year the accumulated operating surplus (deficit) exceeds the maximum, then the surplus (deficit) in excess of the maximum shall, as soon as possible after the close of the fiscal year, be paid to (from) the General Revenue Fund.

However, if any deficit is in fact a subsidy and not a deficit due to business fluctuations, it is recovered from the Department's appropriation in the same year. The Department budgets for a subsidy to the Revolving Fund in the same year that the deficit is expected to occur.

5. Capital Assets

	1999		1998	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Fencing and corrals	\$ 602,985	\$ 136,657	\$ 466,328	\$ 439,761
Water sites	321,980	38,401	283,579	329,443
Equipment	1,294,644	284,015	1,010,629	784,130
Buildings	296,430	34,660	261,770	229,796
Office equipment	89,886	11,229	78,657	33,779
Land improvements	38,311	1,916	36,395	---
Total	<u>\$ 2,644,236</u>	<u>\$ 506,878</u>	<u>\$ 2,137,358</u>	<u>\$ 1,816,909</u>

6. Budget

Treasury Board approves the Revolving Fund's budget annually.

7. Related Party Transactions

Included in these financial statements are the following transactions with Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Revolving Fund by virtue of common control or significant influence by the Government of Saskatchewan.

The Revolving Fund purchased utility and communication services of \$237,806 (1998 - \$209,057) from SaskPower, SaskEnergy and SaskTel and purchased vehicle rentals, insurance and supplies of \$136,985 (1998 - \$234,710) from Saskatchewan Property Management Corporation and Saskatchewan Government Insurance. These transactions are in the normal course of operations and are recorded at the standard rates charged by these corporations.

The Revolving Fund paid employee benefits of \$138,552 (1998 - \$120,721) to Public Service Superannuation Fund, Public Employees Pension Plan, Public Employees Disability Income Fund and Public Employees Group Life Insurance Fund.

The Revolving Fund receives use of Crown land, office space and administrative services from the Department without charge. In addition, the Revolving Fund pays

Education and Health Tax to the Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

As at March 31, 1999, \$27,046 (1998 - \$26,916) was due to Government agencies as a result of the transactions referred to above.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

8. Amount Reported in Public Accounts

The net (expenditure) recovery of the Revolving Fund reported in the Public Accounts is the net (loss) income of the Revolving Fund adjusted for the following differences between the Revolving Fund and the General Revenue Fund:

	<u>1999</u>	<u>1998</u>
Net (loss)	\$ (616,571)	\$ (442,594)
Payment to General Revenue Fund	—	(50,734)
Decrease (increase) in inventory balance recorded by the Revolving Fund	39,335	(157,241)
(Increase) in net capital assets recorded by the Revolving Fund	(320,449)	(687,122)
Livestock sales recorded by General Revenue Fund	—	14,953
Timing differences in recording revenue/payments	<u>(112,508)</u>	<u>63,582</u>
Net (expenditure) reported in the Public Accounts	<u><u>\$ (1,010,193)</u></u>	<u><u>\$ (1,259,156)</u></u>

9. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that affect the amount, timing and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total of the receivables are \$325,165 at March 1, 1999 with an allowance for doubtful accounts of \$47,694. Some of the receivables were received shortly after year end reducing the credit risk.

c) **Receivables/Payables**

These financial instruments are non-interest-bearing and are due or payable within one year. Due to this short-term maturity, the carrying value of these financial instruments approximates their fair value.

d) **Accumulated net expenditure**

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

10. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

11. Uncertainty due to the Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

12. Net Change in Working Capital Items Related to Operations

	<u>1999</u>	<u>1998</u>
Working capital changes:		
Increase in accounts receivable	\$ 137,513	\$ 99,734
(Decrease) increase in inventory	(38,335)	157,241
Decrease in accounts payable	140,190	42,979
(Increase) decrease in unearned revenue	<u>(21,115)</u>	<u>2,248</u>
	<u>\$ 218,253</u>	<u>\$ 302,202</u>

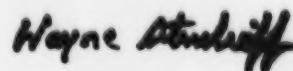
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Correctional Facilities Industries Revolving Fund as at March 31, 1999 and the statements of operations and accumulated operating surplus/deficit and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
September 1, 1999

Wayne Strelloff, CA
Provincial Auditor

Statement 1

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
BALANCE SHEET
AS AT MARCH 31

	<u>1999</u>	<u>1998</u>
ASSETS		
Current assets:		
Accounts receivable	\$ 328,922	\$ 310,782
Inventory	<u>210,512</u>	<u>240,548</u>
	539,434	551,330
Capital assets (Note 5)	<u>139,341</u>	<u>165,424</u>
	<u><u>\$ 678,775</u></u>	<u><u>\$ 716,754</u></u>
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable	\$ 130,927	\$ 133,568
Non-Current liabilities:		
Accumulated net expenditure (Statement 3)	766,284	778,743
Fund equity:		
Accumulated operating deficit (Statement 2)	<u>(218,436)</u>	<u>(195,557)</u>
	<u><u>\$ 678,775</u></u>	<u><u>\$ 716,754</u></u>

(See accompanying notes to the financial statements)

Statement 2

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
STATEMENT OF OPERATIONS
AND ACCUMULATED OPERATING SURPLUS/DEFICIT
FOR THE YEAR ENDED MARCH 31

	1999		1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 10)		
Sales	\$ 1,251,000	\$ 933,058	\$ 1,187,848
Cost of goods sold (Note 6)	<u>1,049,860</u>	<u>817,904</u>	<u>989,722</u>
Gross profit	<u>201,140</u>	<u>115,154</u>	<u>198,126</u>
Operating expenses:			
Salaries	226,170	229,566	231,248
Office supplies	3,450	6,010	6,384
Repairs and maintenance	8,750	8,397	8,977
Delivery	1,450	3,852	1,663
Travel	8,640	14,453	7,117
Warranty	2,600	500	---
Amortization	2,660	2,838	1,347
Bad debts/allowance (recovery)	3,150	2,402	66
Inmate assessment	19,750	22,707	22,662
Advertising	2,200	4,380	213
Miscellaneous	<u>4,825</u>	<u>12,495</u>	<u>11,083</u>
	<u>283,645</u>	<u>307,600</u>	<u>290,760</u>
Loss from operations	(82,505)	(192,446)	(92,634)
Other income	---	7,019	---
Gain on sale of assets	---	20,548	---
Subsidy from General Revenue Fund	<u>141,927</u>	<u>142,000</u>	<u>139,000</u>
Net income (loss)	<u>\$ 59,422</u>	(22,879)	46,366
Accumulated operating (deficit), beginning of year		<u>(195,557)</u>	<u>(241,923)</u>
Accumulated operating (deficit), end of year - to Statement 1		<u>\$ (218,436)</u>	<u>\$ (195,557)</u>

(See accompanying notes to the financial statements)

Statement 3

**CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
STATEMENT OF CHANGES IN
ACCUMULATED NET EXPENDITURE
FOR THE YEAR ENDED MARCH 31**

	<u>1999</u>	<u>1998</u>
Financing (provided by) required for operating activities:		
Net loss (income)	\$ 22,879	\$ (46,366)
Items not affecting working capital		
- amortization	(42,933)	(43,806)
- gain (loss) on disposal of capital assets	20,548	(614)
Working capital changes related to operations		
Increase in accounts receivable	18,140	72,436
(Decrease) in inventories	(30,036)	(50,827)
Decrease in current liabilities	<u>2,641</u>	<u>6,087</u>
	<u>(8,761)</u>	<u>(63,090)</u>
Financing (provided by) required for investing activities:		
Purchase of capital assets	20,262	27,032
Proceeds from sale of capital assets	<u>(23,960)</u>	<u>(1,624)</u>
	<u>(3,698)</u>	<u>25,408</u>
Net expenditure/(recovery):	(12,459)	(37,682)
Accumulated net expenditure, beginning of year	<u>778,743</u>	<u>816,425</u>
Accumulated net expenditure, end of year		
- to Statement 1	<u>\$ 766,284</u>	<u>\$ 778,743</u>

(See accompanying notes to the financial statements)

CORRECTIONAL FACILITIES INDUSTRIES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Authority and Definition of Reporting Entity

The Revolving Fund operates under the authority of Section 53 of *The Correctional Services Act*. The purpose of the Revolving Fund is to rehabilitate inmates by operating work programs intended to provide practical and marketable work skills for inmates and to reduce the costs of inmate programming.

2. Accounting Policies

The financial statements are prepared using generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure. The following accounting policies are considered significant:

a) Net Expenditure/(Recovery)

The net cash expenditure/(recovery) is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from the acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund includes the following:

- i) the net expenditure/(recovery) for each fiscal year, and
- ii) the book value of assets acquired at no charge from other government agencies.

c) Inventories

Inventories are valued at the lower of cost and net realizable value.

d) **Capital Assets**

Capital assets are recorded at cost. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations.

Amortization is calculated on the straight-line basis at an annual rate of 10% for equipment and leasehold improvements and on a diminishing balance basis at an annual rate of 30% for tools and other assets.

3. **Authorized Financing**

Subsection 53 (10) of *The Correctional Services Act* specifies that the maximum amount of accumulated net expenditure which may be outstanding at any time will be set by order of the Lieutenant Governor in Council. A maximum amount of \$900,000 was established by Order in Council 816/89.

4. **Disposition of Accumulated Operating Surplus or Deficit**

In accordance with subsection 53 (4) of *The Correctional Services Act*, the Minister shall pay to the General Revenue Fund all or any part of any surplus in the Revolving Fund that Treasury Board may direct. Treasury Board has specified that the maximum accumulated surplus/deficit for the Revolving Fund shall be \$100,000. Treasury Board has also specified that if at the end of a fiscal year the accumulated surplus/deficit exceeds the maximum, then any surplus/deficit in excess of the maximum shall, as soon as possible after the close of the fiscal year, be paid to/from the General Revenue Fund.

However, if any deficit is in fact a subsidy and not a deficit due to business fluctuations, it must be recovered from the General Revenue Fund (Department of Justice's appropriation) in the same year. The Department budgets for a subsidy to the Revolving Fund in the same year that the deficit is expected to occur.

5. Capital Assets

	1999			1998		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 267,542	\$ 169,616	\$ 97,926	\$ 277,888	\$ 156,222	\$ 121,666
Tools	54,468	43,251	11,217	52,423	38,444	13,979
Leasehold Improvements	70,269	50,209	20,060	66,229	43,182	23,047
Other	29,813	19,675	10,138	22,423	15,691	6,732
	<u>\$ 422,092</u>	<u>\$ 282,751</u>	<u>\$ 139,341</u>	<u>\$ 418,963</u>	<u>\$ 253,539</u>	<u>\$ 165,424</u>

6. Cost of Goods Sold

Cost of goods sold consists of the following:

	1999	1998
Materials	\$ 418,175	\$ 563,691
Supplies	21,293	28,796
Small tools	8,466	5,829
Inmate labour	41,302	47,977
Inmate incentive	82,403	87,373
Amortization	40,093	43,074
Staff salaries	184,998	179,750
Shop expense	21,174	33,232
	<u>\$ 817,904</u>	<u>\$ 989,722</u>

7. Amount Reported in the Public Accounts

The net recovery of the Revolving Fund reported in Public Accounts is the net income of the Revolving Fund adjusted for differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	<u>1999</u>	<u>1998</u>
Net income (loss) after subsidy	\$ (22,879)	\$ 46,366
Decrease in inventory balance	30,036	50,827
Decrease in net capital assets	26,083	19,012
Amounts not included in Public Accounts due to timing	<u>(8,810)</u>	<u>378</u>
Net recovery reported in the Public Accounts	<u>\$ 24,430</u>	<u>\$ 116,583</u>

8. Related Parties

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are settled on normal trade terms. These transactions, and amounts outstanding, at year end are as follows:

	<u>1999</u>	<u>1998</u>
Revenue	\$ 324,018	\$ 300,232
Accounts receivable	68,608	76,211

In addition, the Fund pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

In accordance with established government policy, the Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by the various departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

9. Financial Instruments

The Revolving Fund's financial instruments consist of accounts receivable, accounts payable and accumulated net expenditure.

a) Significant terms and conditions

There are no significant terms and conditions related to the financial instruments that may affect the amount, timing and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from the potential non-payment of accounts receivable. Accounts receivable balances are with many customers, therefore, credit risk is minimal.

c) Fair value

The carrying amounts approximate fair value due to their immediate or short-term nature. The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Contingency

The Revolving Fund has been served a Statement of Claim regarding the manufacture of a play structure. The merits of the claim are unknown and an estimate of the extent of damages, if any, cannot be made.

12. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems

failure which could affect the Fund's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

13. Comparative Information

Certain 1997-98 balances have been reclassified to conform with the current year's presentation.

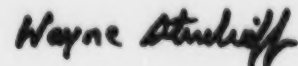
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Correspondence School Revolving Fund as at March 31, 1999 and the statements of operations and accumulated operating surplus/deficit and of changes in accumulated net expenditures for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
October 29, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

SASKATCHEWAN CORRESPONDENCE SCHOOL REVOLVING FUND
BALANCE SHEET
As at March 31

ASSETS

Current:	1999	1998
Petty Cash	\$ 225	\$ 225
Accounts receivable	116,311	179,808
Inventories	34,199	42,198
Prepaid Expenses	4,024	4,683
Total Current Assets	154,759	226,914
Capital Assets (Note 6)	182,063	296,125
	\$ 336,822	\$ 523,039

LIABILITIES AND EQUITY

Current Liabilities:		
Accounts Payable and accrued liabilities	\$ 69,949	\$ 88,950
Unearned Revenue	0	0
	69,949	88,950
Non-Current Liabilities:		
Accumulated net expenditures (Statement 3)	279,360	299,991
Fund Equity:		
Accumulated operating surplus/(deficit) (Statement 2)	(12,487)	134,098
	\$ 336,822	\$ 523,039

(See accompanying notes to the financial statements)

Statement 2

SASKATCHEWAN CORRESPONDENCE SCHOOL REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/DEFICIT
For the Year Ended March 31

	1999		1998
	Actual	Budget	Actual
	(Note 10)		
Revenue:			
Sales	\$ 259,888	\$ 284,500	\$ 271,267
Less: Cost of goods sold	141,322	162,000	163,317
Gross profit	118,566	122,500	107,950
Registration Fees	123,115	132,000	119,675
Tuition	1,290,755	1,455,846	1,330,578
Other Revenue	2,633	3,100	4,712
Total Revenue	1,535,069	1,713,446	1,562,915
Operating expenses:			
Salaries	1,524,126	1,511,219	1,360,541
Marking Fees	79,322	100,000	54,782
Computer support and maintenance	89,571	136,200	120,236
Telephone expense	35,145	40,000	34,940
Advertising and printing	16,110	42,300	20,299
Amortization	174,911	150,000	159,743
Office and educational expenses	24,227	19,018	14,667
Postage	62,246	60,000	39,431
Other	11,996	37,245	8,446
Total Expenses	2,017,654	2,095,982	1,813,085
Net Income (loss) from Operations	(482,585)	(382,536)	(250,170)
Subsidy from General Revenue Fund	336,000	336,000	215,000
Net Income (loss) (Note 8)	(146,585)	(46,536)	(35,170)
Accumulated operating surplus/(deficit), beginning of year	134,098	16,837	169,268
Accumulated operating surplus/(deficit), year to date - to Statement 1	\$ (12,487)	\$ (29,699)	\$ 134,098

(See accompanying notes to the financial statements)

Statement 3

SASKATCHEWAN CORRESPONDENCE SCHOOL REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	<u>1999</u>	<u>1998</u>
Financing (provided by) required for operating activities:		
Net Income after operating subsidy	\$ 146,585	\$ 35,170
Items not affecting working capital		
- amortization	<u>(174,911)</u>	<u>(159,743)</u>
	<u>(28,326)</u>	<u>(124,573)</u>
Net increase (decrease) in working capital items related to operations (Note 7)	<u>(53,154)</u>	<u>29,524</u>
	<u>(81,480)</u>	<u>(95,049)</u>
Financing (provided by) required for investing activities:		
Purchase of capital assets	<u>60,849</u>	<u>95,284</u>
Net (decrease) increase in financing requirements	<u>(20,631)</u>	<u>235</u>
Accumulated net expenditure, beginning of year	<u>299,991</u>	<u>299,756</u>
Accumulated net expenditure, end of year - to Statement 1	<u><u>\$ 279,360</u></u>	<u><u>\$ 299,991</u></u>

(See accompanying notes to the financial statements)

SASKATCHEWAN CORRESPONDENCE SCHOOL REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Authority and Definition of Entity

The Revolving Fund was established April 1, 1990, pursuant to Section 11 of *The Education Act, 1995*. The purpose of the Saskatchewan Correspondence School Revolving Fund is to provide educational services at the high school level, Grades 9-12, to Saskatchewan residents through distance education.

2. Significant Accounting Policies

These financial statements have been prepared using generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 7. The following accounting policies are considered significant.

a) Basis of Accounting

The accounts are maintained on an accrual basis of accounting.

b) Net Cash Expenditure/(Recovery)

The net cash expenditure/(recovery) is the total cash outflow from/to the General Revenue Fund. It represents the total annual financing requirements resulting from the net capital acquisitions, working capital changes and net cash flows from operations.

c) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund includes the following:

- i) Net expenditure/(recovery) for each fiscal year; and
- ii) The book value of assets acquired at no charge from another government agency.

d) Capital Assets

Capital assets are recorded at cost. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations and accumulated surplus. Donated equipment is recorded at fair market value.

Amortization is provided on office and audio/visual equipment on a straight-line basis at an annual rate of 20% from the date of acquisition. Computer software and hardware are amortized at an annual rate of 25% from the date of acquisition.

e) Inventory

Inventory is valued at the lower of average cost and net realizable value.

3. Authorized Financing

Section 11(12) of *The Education Act, 1995* provides for a maximum amount of accumulated net expenditures which may at any time be outstanding to be set by order of the Lieutenant Governor in Council. By Order in Council 776/90 the maximum amount has been set at \$1,200,000.

4. Disposition of Accumulated Operating Surplus or Deficit

In accordance with subsection 11(6) of *The Education Act, 1995* the Minister shall pay to the General Revenue Fund all or any part of any surplus in the Revolving Fund that Treasury Board may direct. Treasury Board has specified that the maximum accumulated surplus (deficit) for the Correspondence School Revolving Fund shall be \$100,000. Treasury Board has also specified that if at the end of the fiscal year the accumulated surplus (deficit) exceeds the maximum, then any surplus (deficit) in excess of the maximum shall, as soon as possible after the close of the fiscal year, be paid into (from) the General Revenue Fund.

5. Tuition Fees and Other Related Costs

The Revolving Fund's Correspondence School tuition fees and other related recoverable costs are described in the annual Correspondence School Calendar. These costs and tuition fees are reviewed periodically with the view to operating the Revolving Fund as close to the break even point as possible.

6. Capital Assets

	1999		1998	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Office & audio/visual equipment	\$ 18,651	\$ 17,158	\$ 1,493	\$ 2,042
Computer hardware/software	820,331	639,761	180,570	294,083
	<u>\$ 838,982</u>	<u>\$ 656,919</u>	<u>\$ 182,063</u>	<u>\$ 296,125</u>

Amortization provided in the financial statements for the current year amounted to \$174,911 (1998 - \$159,743)

7. Net Change in Working Capital Items Related to Operations

	1999	1998
(Decrease)/increase in accounts receivable	\$ (659)	\$ 4,229
(Decrease)/increase in prepaid expenses	(63,497)	35,035
(Decrease)/increase in inventories	(7,999)	(6,067)
Decrease/(increase) in accounts payable	19,001	(30,034)
(Increase)/decrease in unearned revenue	0	26,361
	<u>\$ (53,154)</u>	<u>\$ 29,524</u>

8. Amount Reported in Public Accounts

The net recovery of the Revolving Fund reported in the Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	1999	1998
Net income/(loss) from operations	\$ (146,585)	\$ (35,170)
(Increase)/decrease in inventory balance	7,999	6,067
(Increase)/decrease in net capital assets	114,062	64,459
Amounts not included in Public Accounts, due to timing	50,156	148
(Net financing requirement)/recovery, reported in the Public Accounts	\$ 25,632	\$ 35,504

9. Related Parties

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms. These transactions are as follows:

	1999	1998
Telephone	\$ 35,145	\$ 34,940
Postage	62,246	39,431

Other transactions with related parties and amounts due to/from them are described separately in the financial statements.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by various departmental appropriations and, therefore, no provision is reflected in these financial statements.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable and accounts payable. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

12. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Fund's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Fund, including those related to the efforts of customers, suppliers, or third parties, will be fully resolved.

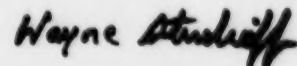
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Highways Revolving Fund as at March 31, 1999 and the statements of operations and accumulated operating surplus/deficit and changes in accumulated net expenditure for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
November 30, 1999

Wayne Strelieff, CA
Provincial Auditor

**HIGHWAYS REVOLVING FUND
BALANCE SHEET
As At March 31**

	<u>1999</u>	<u>1998</u>
ASSETS		
Current:		
Accounts receivable	\$ 6,309,614	\$ 2,840,705
Inventories	<u>3,067,139</u>	<u>3,004,311</u>
	<u>9,376,753</u>	<u>5,845,016</u>
Non-current:		
Construction materials inventory (Note 5)	584,234	805,891
Construction, maintenance and other equipment (Note 6)	43,183,295	41,020,752
Capital lease vehicles (Note 7)	<u>2,456,368</u>	<u>1,772,868</u>
	<u>46,223,897</u>	<u>43,599,511</u>
	<u>\$ 55,600,650</u>	<u>\$ 49,444,527</u>
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable	\$ 1,357,622	\$ 2,194,607
Current portion of obligation under capital leases (Note 8)	<u>778,603</u>	<u>776,297</u>
	<u>2,136,225</u>	<u>2,970,904</u>
Non-current liabilities:		
Long-term obligations under capital leases (Note 8)	1,123,693	1,287,506
Accumulated net expenditure (Statement 3)	<u>56,766,968</u>	<u>49,426,871</u>
	<u>57,890,661</u>	<u>50,714,377</u>
Fund equity:		
Accumulated operating (deficit)/surplus (Statement 2)	<u>(4,426,236)</u>	<u>(4,240,754)</u>
	<u>\$ 55,600,650</u>	<u>\$ 49,444,527</u>

(See accompanying notes to the financial statements)

Statement 2

HIGHWAYS REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/DEFICIT
For the Year Ended March 31

	1999		1998
	Budget	Actual	Actual
Revenue:			
Equipment Rental	\$ 14,850,000	\$ 14,892,186	\$ 13,426,794
Custom Work	4,935,000	5,485,466	3,612,754
Store Sales & Labour	4,800,000	4,572,906	4,319,707
Total revenue	<u>\$ 24,585,000</u>	<u>\$ 24,950,558</u>	<u>\$ 21,359,255</u>
Expenses:			
Repair	\$ 4,400,000	\$ 4,718,999	\$ 5,054,998
Operating	4,150,000	4,519,561	4,829,486
Amortization	2,765,000	3,488,285	2,946,907
Custom Work	4,315,000	4,929,550	3,005,365
Store Sales & Labour	4,700,000	4,565,266	4,133,304
Direct Overheads	2,776,000	3,451,324	3,449,945
Direct expenses	<u>\$ 23,106,000</u>	<u>\$ 25,672,985</u>	<u>\$ 23,420,005</u>
Gross margin	\$ 1,479,000	\$ (722,427)	\$ (2,060,750)
General Overheads	<u>\$ 1,217,000</u>	<u>\$ 1,335,244</u>	<u>\$ 1,207,446</u>
Net (Loss) from operations	\$ 262,000	\$ (2,057,671)	\$ (3,268,196)
Net (Loss) Gain on Sale of Equipment	10,000	(227,811)	(85,194)
Recovery of Prior Years Deficits			
- General Revenue Fund	<u>-</u>	<u>2,100,000</u>	<u>-</u>
Net (Loss)	\$ 272,000	\$ (185,482)	\$ (3,353,390)
Accumulated operating surplus/ (deficit), beginning of year	\$ (823,982)	\$ (4,240,754)	\$ (887,364)
Accumulated operating surplus/ (deficit), end of year - to Statement 1	<u>\$ (551,982)</u>	<u>\$ (4,426,236)</u>	<u>\$ (4,240,754)</u>

(See accompanying notes to the financial statements)

Statement 3

HIGHWAYS REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31

	<u>1999</u>	<u>1998</u>
Financing (provided by) required for operating activities:		
Net loss after operating recovery	\$ 185,482	\$ 3,353,390
Items not affecting working capital		
- amortization (Note 9)	(3,488,285)	(2,946,907)
- gain/(loss) on disposal of capital assets	(227,811)	(85,194)
Net increase (decrease) in working capital items related to operations (Note 10)	<u>4,368,722</u>	<u>871,716</u>
	<u>\$ 838,108</u>	<u>\$ 1,193,005</u>
Financing (provided by) required for investing activities:		
Decrease in construction materials inventory	\$ (221,657)	\$ (57,614)
Purchase of equipment	6,410,932	3,718,942
Proceeds from sale of equipment	<u>(337,726)</u>	<u>(503,414)</u>
	<u>\$ 5,851,549</u>	<u>\$ 3,157,914</u>
Financing (provided by) required for financing activities:		
(Increase)/decrease in obligation under the capital lease	<u>\$ 650,440</u>	<u>\$ 464,721</u>
Net increase in financing requirements	\$ 7,340,097	\$ 4,815,640
Accumulated net expenditure, beginning of year	<u>\$ 49,426,871</u>	<u>\$ 44,611,231</u>
Accumulated net expenditure, end of year - to Statement 1	<u><u>\$ 56,766,968</u></u>	<u><u>\$ 49,426,871</u></u>

(See accompanying notes to the financial statements)

HIGHWAYS REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Authority and Definition of Reporting Entity

The authority for this Revolving Fund was originally contained in Section 21 of *The Highways Act* and is continued under Section 7 of *The Department of Highways and Transportation Act, 1997*. The purpose of the Revolving Fund is to provide a system of accounting that accumulates the costs of equipment, materials and labour used in the provision of construction and maintenance services. These costs are charged back to the Department and other parties on an equitable basis.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 10. The following accounting policies are considered significant:

a) Net Expenditure/(Recovery)

The net expenditure/(recovery) is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund includes the following:

- i) working capital advanced by the Minister of Finance as at March 31, 1982 to the Revolving Fund;
- ii) the net expenditure/(recovery) for each fiscal year thereafter; and
- iii) the book value of assets acquired at no charge from another government agency.

c) Inventories

Inventories are valued at the lower of original cost, as calculated on a moving average basis for each shop, and net realizable value.

d) Amortization

i) Power Equipment

Construction and maintenance equipment is amortized on a unit of use basis (hours or kms.). The amortization rate per unit of use for each item is calculated

to allocate the capital cost of that item, less residual value, over the life expectancy of the asset.

Tractors	3,000 to 10,400 hours
Motor Graders	16,000 to 18,000 hours
Light Trucks	Up to 180,000 kms
Heavy Trucks	3,750 to 15,000 hours
Trailers	2,000 to 12,000 hours
Construction Equipment	2,000 to 16,000 hours

ii) Sundry

Salt storage bins are amortized on a straight-line basis at a rate of 5% per year.

For all other sundry equipment, amortization is calculated as follows:

- Items costing \$1,000 or more are amortized on the straight-line basis at a rate of 10% per year.
- Items costing less than \$1,000 are amortized at a flat rate of \$100 per year.

iii) Survey Equipment

For all survey equipment, amortization is calculated as follows:

- Items costing \$1,000 or more are amortized on the straight-line basis at a rate of 10% per year.
- Items costing less than \$1,000 are amortized at a flat rate of \$100 per year.

iv) Repair Shop Equipment

For all repair shop equipment, amortization is calculated as follows:

- Items costing \$1,000 or more are amortized on the straight-line basis at a rate of 10% per year.
- Items costing less than \$1,000 are amortized at a flat rate of \$100 per year.

v) Office Equipment and Furniture

For all office equipment and furniture, amortization is calculated as follows:

- Items costing \$1,000 or more are amortized on the straight-line basis at a rate of 10% per year.
- Items costing less than \$1,000 are amortized at a flat rate of \$100 per year.

vi) Computer Systems

System Development costs are amortized on a straight-line basis at the rate of 20% per year.

vii) Computer Equipment

Computer Equipment is amortized on a straight-line basis at the rate of 25% per year.

viii) Capital Lease Vehicles

Capital lease vehicles are amortized on a straight-line basis over the term of the lease. The typical lease term for these units is 8 years. Major additions or modifications made to motor vehicle units leased from the SPMC (a related party) are treated as capital cost additions. The amortization rate per unit of use for each item is calculated to allocate the capital cost of that item. Amortization is calculated on the capital cost additions for a unit, on a straight-line basis over the remaining term of the lease for that unit.

e) Sales

Sales of the Revolving Fund include the following:

i) Construction Revenue

The Revolving Fund uses the percentage of completion method to recognize construction revenue on custom and other work whereby revenues are recognized as the work on the projects is completed. Amounts received before work is completed are reflected as unearned revenue.

ii) Equipment Rental Revenue

The rental rates charged by the Revolving Fund for use of its construction and maintenance equipment are calculated to recover the following Revolving Fund costs:

- amortization
- repair and overhaul
- operating costs of fuel, oil and licence registration and insurance fees; and
- administration costs of the stores and repair depots and Revolving Fund office.

Each of the foregoing components of the rental rate are reviewed annually, revised as required, and approved by Treasury Board.

f) Surcharges

Surcharges levied by the Revolving Fund pursuant to Treasury Board directives are required to be returned to the General Revenue Fund. Any unremitted surcharges are recorded as a liability.

g) Capital Lease Vehicles

Vehicles taken on lease terms which transfer substantially all of the benefits and risks of ownership to the Revolving Fund are accounted for as capital leases.

3. Authorized Financing

Subsection 7(6) of *The Department of Highways and Transportation Act, 1997* specifies that the maximum amount of accumulated net expenditure which may be outstanding at any time will be set by order of the Lieutenant Governor in Council. A maximum amount of \$80,000,000 was established in April 1983 and was reduced to \$55,000,000 in January 1994 by Order-in-Council. It was then increased by Order-in-Council to \$60,000,000 in March 1999.

4. Disposition of Accumulated Operating Surplus or Deficit

In accordance with Section 7(6) of *The Department of Highways and Transportation Act, 1997*, the Minister shall pay to the General Revenue Fund all or any part of any surplus in the Revolving Fund that Treasury Board may direct. Treasury Board has specified that the maximum accumulated surplus/deficit for the Revolving Fund shall be \$1,000,000. Treasury Board has also specified that if at the end of a fiscal year the accumulated surplus/deficit exceeds the maximum, then any surplus/deficit in excess of the maximum shall, as soon as possible after the close of the fiscal year, be paid to/from the General Revenue Fund.

However, if any deficit is in fact a subsidy and not a deficit due to business fluctuations, it must be recovered from the General Revenue Fund (Department of Highways and Transportation's appropriation) in the same year. The Department budgets for a subsidy to the Revolving Fund in the same year that the deficit is expected to occur.

5. Construction Materials Inventory

The construction materials inventory is an aggregate stockpile that will not be used in one year. The entire inventory has been classified as a non-current asset.

6. Construction, Maintenance and Other Equipment

Details of this equipment are as follows:

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net book value
Power Equipment	\$ 70,376,869	\$ 31,757,483	\$ 38,619,386	\$ 37,481,641
Sundry Equipment	12,862,330	9,395,820	3,466,510	3,298,438
Survey Equipment	215,314	199,179	16,135	21,127
Repair Shop Equipment	1,149,198	1,038,106	111,092	107,986
Office Equipment and Furniture	78,910	19,800	59,110	76,493
Computer System	1,100,000	220,000	880,000	0
Computer Equipment	82,244	51,182	31,062	35,067
Total Capital Assets	\$ 85,864,865	\$ 42,681,570	\$ 43,183,295	\$ 41,020,752

Power, sundry and survey equipment, including expenditures which renovate or modify the equipment and result in a corresponding increase in the useful life of the equipment, are capitalized and recorded at cost or as determined in Note 2(b)(iii).

Amortization has been provided for in the amount of \$ 2,941,962 in the current year (1998 - \$2,449,074).

7. Capital Lease Vehicles

Details of these leased vehicles are as follows:

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Capital Lease Vehicles	4,780,750	2,324,382	2,456,368	\$ 1,772,868

Amortization has been provided for in the amount of \$ 546,323 in the current year (1998 - \$497,833).

8. Obligation under Capital Lease

The following is a schedule of future minimum lease payments under a capital lease with SPMC for non-maintenance vehicles together with the present balance of the obligation. The lease agreement effective April 1, 1987 and subsequently amended, allows vehicles to be leased for an initial term of four or six years with an annual bargain renewal option thereafter. The Revolving Fund estimates the average vehicle will be leased for eight years. Under the agreement, the Revolving Fund receives replacement vehicles on an ongoing basis from SPMC.

Year ended March 31:

2000	\$ 778,603
2001	690,924
2002	531,199
2003	399,445
2004	260,615
2005 – 2007	<u>196,186</u>
Total minimum lease payments	\$ 2,856,972
Less: Amount representing interest at rates 8% to 11%	542,303
Executory costs	<u>412,373</u>
	\$ 1,902,296
Less: Amount due within one year	<u>778,603</u>
Long term lease obligations	<u>\$ 1,123,693</u>

Interest of \$272,543 (1998 - \$ 218,105) was included in the expenditures of 1999.

9. Expenditures

The Revolving Fund's direct expenses and general expenses are classified as follows:

	<u>1999</u>	<u>1998</u>
Operating Expenses	\$17,014,861	\$14,417,182
Salaries and benefits	5,819,805	6,185,326
Amortization	3,488,285	2,946,907
Other	<u>685,277</u>	<u>1,078,036</u>
	<u>\$27,008,228</u>	<u>\$24,627,451</u>

10. Net Change in Working Capital Items Related to Operations

	<u>1999</u>	<u>1998</u>
Increase/(decrease) in accounts receivable	\$ 3,468,909	\$ 138,696
Increase/(decrease) in inventories	62,828	513,859
Decrease/(increase) in accounts payable	836,985	218,355
(Increase)/decrease in unearned revenue	-	806
	<u>\$ 4,368,722</u>	<u>\$ 871,716</u>

11. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are settled with normal trade terms. These transactions, and amounts outstanding at year-end, are as follows:

Category (as per Financial Statements)	1999	1998
Sales (Department of Highways and Transportation)	\$ 19,130,535	\$ 17,649,002
Accounts Receivable (Department of Highways and Transportation)	3,804,113	127,226
Accounts Receivable (Transportation Partnership Fund)	0	488,011
Expenses (Saskatchewan Property Management Corporation)	1,039,077	963,982

In addition, the Revolving Fund pays Saskatchewan Education and Health tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing, certain information system support and certain administrative costs. These costs have been absorbed by various departmental appropriations and therefore, no provision for such costs is reflected in these financial statements.

12. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

13. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable, accounts payable, and short term obligations under capital leases. Due to their immediate and short-term nature, the fair value of these instruments approximates the carrying value.

The Revolving Fund's financial instruments also include long term obligations under capital leases. The fair value of these obligations approximates the carrying value because the implicit rate of interest inherent in the leases approximates the market rate of interest.

The fair value of the accumulated net expenditure has been omitted because it is not practical to determine the fair value with sufficient reliability.

14. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when, information using year 2000 dates, is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Revolving

Fund's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Revolving Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

15. Commitments

The Revolving Fund is committed to purchasing fixed assets in the form of construction and maintenance equipment and goods and services from various suppliers in the 1999-2000 fiscal year. The purchase price of these assets and goods is expected to be a total of \$2,300,000. Purchases of these assets and goods will occur mainly in the first quarter of the year.

16. Amount Reported in the Public Accounts

The net income/(loss) of the Revolving Fund reported in the Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the differences in accounting policies between the Revolving Fund and the General Revenue Fund.

	<u>1999</u>	<u>1998</u>
Net (Loss)	\$ (185,482)	\$ (3,353,390)
(Increase) in inventories	(62,828)	(456,245)
Decrease in construction materials inventory	221,657	57,614
(Increase) in construction, maintenance and other equipment	(2,162,543)	(738,873)
(Increase) in capital lease vehicles	(683,500)	(96,130)
Increase/(decrease) in obligation under capital lease vehicles	(161,507)	129,241
Balance Sheet variances between RES and Revolving Fund General Ledger and amounts not included in Public Accounts due to timing	<u>373,448</u>	<u>(282,789)</u>
Net financing (requirement) reported in public accounts	<u>(\$ 2,660,755)</u>	<u>(\$ 4,740,572)</u>

17. Comparative Figures

Certain 1998 balances have been reclassified to conform with the current years presentation.

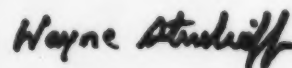
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Livestock Services Revolving Fund as at March 31, 1999 and the statements of operations and accumulated operating surplus, and changes in accumulated net recovery for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
July 27, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

**LIVESTOCK SERVICES REVOLVING FUND
BALANCE SHEET
As at March 31**

	<u>1999</u>	<u>1998</u>
ASSETS		
Current:		
Accounts receivable and prepaid expenses	\$ 266,817	\$ 251,657
Inventory	31,360	40,281
Accumulated net recovery (Statement 3)	<u>97,957</u>	<u>519,741</u>
	396,134	811,679
Capital assets (Note 5)	<u>81,998</u>	<u>97,959</u>
	<u><u>\$ 478,132</u></u>	<u><u>\$ 909,638</u></u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 145,864	\$ 165,586
Fund equity:		
Accumulated operating surplus (Statement 2)	<u>332,268</u>	<u>744,052</u>
	<u><u>\$ 478,132</u></u>	<u><u>\$ 909,638</u></u>

(See accompanying notes to the financial statements)

Statement 2

LIVESTOCK SERVICES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
Year Ended March 31

	Budget 1999 (Note 7)	Actual 1999	Actual 1998
REVENUE			
Livestock inspection fees	\$ 2,225,000	\$ 2,177,395	\$ 2,278,642
Less commissions	<u>63,000</u>	<u>41,980</u>	<u>44,124</u>
Net inspection fees	2,162,000	2,135,415	2,234,518
Registered livestock brands	119,000	167,513	172,550
Livestock dealer licences	37,500	41,600	38,600
Administration fees	—	30,000	30,000
Other revenue	<u>665</u>	<u>744</u>	<u>713</u>
	<u>2,319,165</u>	<u>2,375,272</u>	<u>2,476,381</u>
EXPENSES			
Salaries and benefits	1,718,450	1,889,316	1,676,924
Travel	211,170	291,354	218,236
Stationery & printed forms	81,853	82,025	93,958
Telephone	68,521	79,465	68,535
Advertising & printing	6,570	4,018	9,252
Training & general consulting	24,428	61,608	12,727
Uniforms and dry cleaning	9,755	9,665	11,261
Computer software and supplies	11,319	2,539	15,565
Supplies & repairs	12,542	5,902	20,656
Amortization	16,200	38,197	17,614
Rental of office space & equipment	7,285	62,701	5,311
Loss on disposal of capital assets	—	7,127	—
Other	<u>10,887</u>	<u>9,087</u>	<u>3,975</u>
	<u>2,178,980</u>	<u>2,543,004</u>	<u>2,154,014</u>
Net income (loss) from operations	<u>\$ 140,185</u>	(167,732)	322,367
Accumulated operating surplus, beginning of year		744,052	421,685
Transfer to General Revenue Fund (Note 4)		<u>(244,052)</u>	—
Accumulated operating surplus, end of year, to Statement 1		<u>\$ 332,268</u>	<u>\$ 744,052</u>

(See accompanying notes to the financial statements)

Statement 3

LIVESTOCK SERVICES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET RECOVERY
Year Ended March 31

	<u>1999</u>	<u>1998</u>
Financing required for (provided by) operating activities:		
Net loss (income) from operations	167,732	(322,367)
Items not affecting working capital		
- amortization	(38,197)	(17,614)
- loss on disposal of capital assets	(7,127)	---
Net increase (decrease) in working capital items related to operations (Note 6)	<u>25,961</u>	<u>(31,799)</u>
	148,369	(371,780)
Financing required for investing activities:		
Purchase of capital assets	29,363	111,842
Financing activities:		
Payment to the General Revenue Fund	<u>244,052</u>	<u>---</u>
Net decrease (increase) in financing requirements	421,784	(259,938)
Accumulated net recovery, beginning of year	<u>(519,741)</u>	<u>(259,803)</u>
Accumulated net recovery, end of year		
- to Statement 1	<u>\$ (97,957)</u>	<u>\$ (519,741)</u>

(See accompanying notes to the financial statements)

LIVESTOCK SERVICES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Authority and Definition

The Livestock Services Revolving Fund was established on June 25, 1996 pursuant to Section 17.1 of *The Department of Agriculture Act*. The Revolving Fund's purpose is to operate the brand inspection program, the livestock inspection program, the livestock dealer licensing program and collection services for horned cattle and cattle marketing fees.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Recovery and Note 6. The following accounting principles are considered significant.

a) Net Expenditure (Recovery)

The net expenditure (recovery) is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) of the Fund includes the following:

- i) the net expenditure (recovery) for each fiscal year; and
- ii) the book value of assets acquired at no charge from another government agency.

c) Capital Assets and Amortization

Capital assets are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the

statement of operations and accumulated operating surplus.

Amortization of capital assets is charged to operations using the straight line method at the following rates:

Computer equipment	33.3%
Office furniture	10%
Computer software	33.3%
Office equipment	20%

Assets acquired or disposed of by the Revolving Fund during the year are amortized at 50% of the above rates for the year of acquisition and disposal.

3. Authorized Financing

Subsection 17.1(12) of *The Department of Agriculture Act* provides for a maximum accumulated net expenditure which may at any time be outstanding to be set by Order of the Lieutenant Governor in Council. Order in Council 536/97 established the maximum accumulated net expenditure of the Revolving Fund at \$3,000,000.

4. Disposition of Accumulated Operating Surplus or Deficit

In accordance with subsection 17.1(6) of *The Department of Agriculture Act*, the Minister shall pay to the General Revenue Fund all or any part of any surplus in the Revolving Fund that Treasury Board may direct. Treasury Board has specified that the maximum accumulated operating surplus (deficit) for the Revolving Fund shall be \$500,000. Treasury Board has also specified that if at the end of the fiscal year, the accumulated surplus (deficit) exceeds the maximum, then the surplus (deficit) in excess of the maximum shall, as soon as possible after the close of the fiscal year, be paid to (from) the General Revenue Fund.

However, if any deficit is in fact a subsidy and not a deficit due to business fluctuations, it is recovered from the Department's appropriation in the same year. The Department budgets for a subsidy to the Revolving Fund in the same year that the deficit is expected to occur.

5. Capital Assets

	1999		1998	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 102,344	\$ 47,157	\$ 55,187	\$ 73,613
Office furniture	8,830	1,181	7,649	6,327
Computer software	8,636	3,490	5,146	5,133
Office equipment	16,775	2,760	14,015	12,886
	<u>\$ 136,585</u>	<u>\$ 54,588</u>	<u>\$ 81,997</u>	<u>\$ 97,959</u>

6. Net Change in Working Capital Items Related to Operations

	1999	1998
Increase (decrease) in accounts receivable and prepaid expenses	\$ 15,160	\$ (25,620)
(Decrease) increase in inventory	(8,921)	40,281
Decrease (increase) in accounts payable	19,722	(46,460)
	<u>\$ 25,961</u>	<u>\$ (31,799)</u>

7. Budget

Treasury Board approves the Revolving Fund's budget annually.

8. Related Party Transactions

Included in these financial statements are the following transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Revolving Fund by virtue of common control or significant influence by the Government of Saskatchewan.

The following routine operating transactions with related parties include expenses settled at standard rates charged by related parties.

Financial statement category:	1999	1998
Revenues	\$ 30,000	\$ 30,000
Expenses	266,134	225,307
Accounts payable	28,346	19,002

The Revolving Fund received use of office space and administrative services from the Department without charge. In addition, the Revolving Fund pays Education and Health tax to the Department of Finance on all its taxable

purchases. Taxes paid are recorded as part of the cost of these purchases. Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

9. Amount Recorded in Public Accounts

The net recovery of the Revolving Fund reported in the Public Accounts is the net income (loss) of the Revolving Fund adjusted for the following differences in accounting policies between the Revolving Fund and the General Revenue Fund.

	1999	1998
Net income (loss) from operations	\$ (167,732)	\$ 322,367
Payments to General Revenue Fund	(244,052)	---
Decrease (increase) in net capital assets	15,961	(94,228)
Decrease inventory balance recorded by Revolving Fund	8,921	---
Revenue adjustment recorded by General Revenue Fund	(78,676)	---
Timing differences in recording revenue/payments	---	162,487
Net recovery reported in the Public Accounts	<u>\$ 465,579</u>	<u>\$ 390,626</u>

10. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that affect the amount, timing, and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. Most of the receivables were received shortly after year end reducing the credit risk.

c) Fair Value

Accounts receivable and accounts payable are non-interest bearing and are due or payable within the next year. Due to this short-term maturity,

the carrying value of these financial instruments approximates fair value.

The fair value of the accumulated net recovery has been omitted because it is not practicable to determine the fair value with sufficient reliability.

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000. If not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failures which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

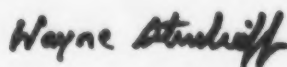
AUDITOR'S REPORT

To the Members of the Legislative Assembly
of Saskatchewan

I have audited the balance sheet of the Public Employees Benefits Agency Revolving Fund as at March 31, 1999 and the statements of operations and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
May 26, 1999

Wayne Strelloff, C.A.
Provincial Auditor

STATEMENT 1

PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND
BALANCE SHEET

AS AT MARCH 31

	1999	1998
ASSETS		
Accounts receivable (Notes 6 and 9)	\$ 973,502	\$701,236
Capital assets (Note 4)	<u>714,724</u>	<u>226,471</u>
	<u>\$1,688,226</u>	<u>\$927,707</u>
LIABILITIES		
Liabilities:		
Accounts payable (Notes 6 and 9)	\$ 837,891	\$434,420
Non-current Liabilities:		
Accumulated net expenditure (Statement 3)	<u>850,335</u>	<u>493,287</u>
	<u>\$1,688,226</u>	<u>\$927,707</u>

See accompanying notes to the financial statements.

STATEMENT 2

PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND
STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31

	Budget 1999 (Note 7)	Actual 1999	Actual 1998
REVENUE:			
Administration fees (Note 6)	<u>\$5,414,628</u>	<u>\$5,320,103</u>	<u>\$3,928,530</u>
EXPENSES:			
Salary and benefits expense	2,373,663	2,570,038	1,987,929
Contractual services-professional and technical	1,994,813	1,871,275	1,355,151
Rent	306,630	238,395	87,748
Postage and communications	220,806	240,918	149,433
Supplies	118,007	93,492	102,842
Advertising/printing related expenses	195,892	45,771	28,642
Travel	91,175	71,310	83,215
Amortization	84,116	167,816	112,616
Repairs and maintenance-furniture/equipment	6,501	6,295	11,833
Business entertainment expense	<u>23,025</u>	<u>14,793</u>	<u>9,121</u>
Total expenses	<u>5,414,628</u>	<u>5,320,103</u>	<u>3,928,530</u>
Net income (loss)	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -

See accompanying notes to the financial statements.

STATEMENT 3

PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE

FOR THE YEAR ENDED MARCH 31

	1999	1998
Financing (provided by) required for operating activities:		
Items not affecting working capital		
- Amortization	\$(167,816)	\$(112,616)
Net (decrease) in working capital items related to operations (Note 5)	<u>(131,205)</u>	<u>(99,337)</u>
	<u>(299,021)</u>	<u>(211,953)</u>
Financing (provided by) required for investing activities:		
Purchase of capital assets	<u>656,069</u>	<u>235,877</u>
Net increase in financing requirements	357,048	23,924
ACCUMULATED NET EXPENDITURE, beginning of year	<u>493,287</u>	<u>469,363</u>
ACCUMULATED NET EXPENDITURE, end of year - to Statement 1	<u>\$850,335</u>	<u>\$493,287</u>

See accompanying notes to the financial statements.

PUBLIC EMPLOYEES BENEFITS AGENCY REVOLVING FUND NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1999

1. Authority and Definition of Accounting Entity

The authority for the Public Employees Benefits Agency Revolving Fund (Revolving Fund) is contained in Section 65 of *The Financial Administration Act, 1993*. The Revolving Fund was established to account for the administration costs of the Public Employees Benefits Agency (PEBA). These costs are allocated to the various plans and programs administered by PEBA in accordance with the policy described in note 2(c).

2. Significant Accounting Policies

The financial statements are prepared using generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 5. The following accounting policies are considered significant:

a) Net Expenditure (Recovery)

The net expenditure (recovery) for a fiscal year is the cash flow from (to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flow from operations of the Revolving Fund.

b) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) of the Revolving Fund consists of the sum of the net cash expenditures (recoveries) of each fiscal year since inception.

c) Revenue

The costs incurred in the administration of the various plans and programs by PEBA are billed on a monthly basis to these plans and programs as follows:

- i) Costs relating to a particular plan or program are allocated to that plan.
- ii) All other costs are allocated to these plans and programs using a formula primarily based on time required to administer these plans and programs.

d) Capital Assets

Individual capital assets and leasehold improvements costing more than \$500 are capitalized. They are being amortized on a straight-line basis over three years for equipment and software and five years for furniture and leasehold improvements. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the statement of operations.

3. Authorized Financing

Subsection 65(12) of *The Financial Administration Act, 1993* provides for the maximum of accumulated net expenditure which may at any time be outstanding to be set by order of the

Lieutenant Governor in Council. The maximum amount for accumulated net expenditure has been set at \$1,200,000 by Order in Council 746/98.

4. Capital Assets

	<u>Cost</u>		<u>Accumulated Amortization</u>		<u>Net Book Value</u>	
	1999	1998	1999	1998	1999	1998
Equipment	\$ 610,472	\$571,322	\$255,524	\$349,653	\$354,948	\$221,669
Furniture	103,564	733	19,169	-	84,395	733
Leaseholds	289,875	45,479	14,494	41,410	275,381	4,069
	<u>\$1,003,911</u>	<u>\$617,534</u>	<u>\$289,187</u>	<u>\$391,063</u>	<u>\$714,724</u>	<u>\$226,471</u>

5. Net Change in Working Capital Items Related to Operations

	1999	1998
Increase in accounts receivable	\$ 272,266	\$ 108,218
(Increase) in accounts payable	<u>(403,471)</u>	<u>(207,555)</u>
	<u>\$ (131,205)</u>	<u>\$ (99,337)</u>

6. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan collectively referred to as "related parties".

Included in revenue and expenses are costs amounting to \$642,778 (1998 - \$370,053) incurred by the General Revenue Fund for services provided on behalf of the Revolving Fund. These costs are billed to the various plans and programs administered by PEBA in accordance with subsection 64(7) of *The Financial Administration Act, 1993*. Amounts received by the Revolving Fund relating to these costs are paid to the Minister of Finance and credited to the General Revenue Fund in accordance with subsection 65(11) of *The Financial Administration Act, 1993*.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including financing and administrative costs. These costs have been absorbed by various departmental appropriations and therefore, no provision for such costs is reflected in these financial statements.

The following table summarizes the Revolving Fund's related party transactions that are in the normal course of operations. These transactions are recorded at the standard rates charged by these organizations.

	1999	1998
Administration fees	\$ 5,320,103	\$ 3,928,530
Expenses	\$ 690,394	\$ 233,270

At year end, the following amounts were due to/from related parties as a result of the transactions referred to above:

	1999	1998
Accounts receivable	\$ 973,502	\$ 701,236
Accounts payable	\$ 417,087	\$ 32,258

In addition, the Revolving Fund pays Saskatchewan Education and Health tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

7. Budget

The various pension plan boards approved their component of the annual budget. A copy of the annual budget was also submitted to Treasury Board.

8. Amount Reported in the Public Accounts

The net revenue/(expenditure) of the Revolving Fund reported in the Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in accounting policies between the Revolving Fund and the General Revenue Fund:

	1999	1998
Net income/(loss)	\$ -	\$ -
(Increase) in capital assets	(488,253)	(123,261)
Amounts not included in Public Accounts due to timing	<u>381,495</u>	<u>140,897</u>
(Net financing requirement) recovery reported in Public Accounts	<u>\$(106,758)</u>	<u>\$ 17,636</u>

9. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as accounts receivable or accounts payable that affect the amount, timing, and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. The total receivables are \$973,502 at March 31, 1999 with no allowance for doubtful accounts. Most of the receivables were received shortly after year end reducing the credit risk.

c) Fair value

The Revolving Fund's financial instruments include accounts receivable and accounts payable. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

10. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

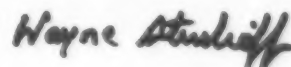
AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Queen's Printer Revolving Fund as at March 31, 1999 and the statements of operations and accumulated operating surplus and changes in accumulated net expenditure/recovery for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.



Regina, Saskatchewan
October 20, 1999

Wayne Strelieff, CA
Provincial Auditor

Statement 1

**DEPARTMENT OF JUSTICE
QUEEN'S PRINTER REVOLVING FUND
BALANCE SHEET
As at March 31**

	<u>1999</u>	<u>1998</u>
ASSETS		
Current:		
Accounts receivable	\$ 143,659	\$ 297,271
Inventories	75,627	131,649
Prepaid expenses	<u>100</u>	<u>5,618</u>
Total current assets	219,386	434,538
Capital assets (Note 5)	<u>23,879</u>	<u>46,147</u>
Total Assets	<u>\$ 243,265</u>	<u>\$ 480,685</u>
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Accounts payable	\$ 124,828	\$ 212,878
Unearned revenue (Note 6)	<u>76,719</u>	<u>83,641</u>
	<u>201,547</u>	<u>296,519</u>
Non-current liabilities:		
Accumulated net expenditure (Statement 3)	<u>19,537</u>	<u>137,679</u>
Fund Equity:		
Accumulated operating surplus (Statement 2)	<u>22,181</u>	<u>46,487</u>
Total Liabilities and Fund Equity	<u>\$ 243,265</u>	<u>\$ 480,685</u>

(See accompanying notes to financial statements)

Statement 2

**DEPARTMENT OF JUSTICE
QUEEN'S PRINTER REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
For the Year Ended March 31**

	1999		1998
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Note 9)		
Sales	\$ 890,250	\$ 851,537	\$1,098,024
Cost of goods sold	<u>(472,900)</u>	<u>(420,420)</u>	<u>(612,083)</u>
Gross profit	<u>417,350</u>	<u>431,117</u>	<u>485,941</u>
Expenses:			
Salaries	340,000	361,817	339,921
Information technology	17,500	21,134	8,618
Amortization	30,000	30,694	52,528
Telephone	10,000	11,106	9,648
Office supplies	14,000	14,257	25,010
Other	<u>25,000</u>	<u>16,414</u>	<u>19,230</u>
Total expenses	<u>436,500</u>	<u>455,422</u>	<u>454,955</u>
(Loss) income from operations	(19,150)	(24,305)	30,986
Subsidy from General Revenue Fund	<u>—</u>	<u>—</u>	<u>—</u>
Net (loss) income	(19,150)	(24,305)	30,986
Accumulated operating surplus, beginning of year	30,102	46,486	15,501
Accumulated operating surplus, end of year (Statement 1)	<u>\$ 10,952</u>	<u>\$ 22,181</u>	<u>\$ 46,487</u>

(See accompanying notes to financial statements)

Statement 3

**DEPARTMENT OF JUSTICE
QUEEN'S PRINTER REVOLVING FUND
STATEMENT OF CHANGES IN
ACCUMULATED NET EXPENDITURE/RECOVERY
FOR THE YEAR ENDED MARCH 31**

	<u>1999</u>	<u>1998</u>
Financing (provided by) required for operating activities:		
Net loss (income)	\$ 24,305	\$ (30,986)
Items not affecting working capital -amortization	(30,694)	(52,528)
Net increase (decrease) in working capital items related to operations (Note 7)	<u>(120,180)</u>	<u>79,287</u>
	<u>(126,569)</u>	<u>(4,227)</u>
Financing (provided by) required for investing activities:		
Purchase of capital assets	<u>8,427</u>	<u>36,488</u>
Net expenditure/recovery	(118,142)	32,261
Accumulated net expenditure, beginning of year	<u>137,679</u>	<u>105,418</u>
Accumulated net expenditure, end of year - to Statement 1	<u>\$ 19,537</u>	<u>\$ 137,679</u>

(See accompanying notes to financial statements)

**DEPARTMENT OF JUSTICE
QUEEN'S PRINTER REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Authority and Definition of Reporting Entity

The Revolving Fund operates under the authority of Section 9.1 of *The Queen's Printer's Act*. The purpose of the revolving fund is to provide a mechanism for printing, publishing and distributing government documents and publications to the public.

2. Accounting Policies

The financial statements are prepared using generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure/ Recovery and Note 7. The following accounting policies are considered significant:

a) Net Expenditure/(Recovery)

The net expenditure/(recovery) is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure/(Recovery)

The accumulated net expenditure/(recovery) of the fund includes the following:

- i) the net cash expenditure/(recovery) for each fiscal year; and
- ii) the book value of assets acquired at no charge from other government agencies.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value. Inventories consist of unsold Gazettes, books and loose-leaf releases and binders.

d) Capital Assets

Amortization is calculated on a straight-line basis at an annual rate of 10% of acquisition value for furniture, 20% for equipment, and 33 1/3% for computer hardware and software.

3. Authorized Financing

Subsection 9.1(10) of *The Queen's Printer's Act* specifies that the maximum amount of accumulated net expenditures which may be outstanding at any time will be set by order of the Lieutenant Governor in Council. A maximum amount of \$150,000 was established by Order in Council 667/89.

4. Disposition of Accumulated Operating Surplus or Deficit

In accordance with subsection 9.1(4) of *The Queen's Printer's Act*, the Minister shall pay to the General Revenue Fund all or any part of any surplus in the Revolving Fund that Treasury Board may direct. Treasury Board has specified that the maximum accumulated surplus/deficit for the Revolving Fund shall be \$100,000. Treasury Board has also specified that if at the end of a fiscal year the accumulated surplus/deficit exceeds the maximum, then any surplus/deficit in excess of the maximum shall, as soon as possible after the close of the fiscal year, be paid to/from the General Revenue Fund.

However, if any deficit is in fact a subsidy and not a deficit due to business fluctuations, it must be recovered from the General Revenue Fund (Department of Justice's appropriation) in the same year. The Department budgets for a subsidy to the Revolving Fund in the same year that the deficit is expected to occur.

5. Capital Assets

	1999			1998
	Acquisition Value	Accumulated Amortization	Net Book Value	Net Book Value
Computer Hardware	\$ 139,193	\$ 121,025	\$ 18,168	\$ 36,906
Computer Software	23,788	22,528	1,260	5,093
Equipment/Furniture	15,572	11,121	4,451	4,148
	<u>\$ 178,553</u>	<u>\$ 154,674</u>	<u>\$ 23,879</u>	<u>\$ 46,147</u>

6. Unearned Revenue

Subscriptions to *The Saskatchewan Gazette* and the Queen's Printer Electronic Subscription Service are considered unearned revenue for those months that the subscription extends beyond the fiscal year.

7. Net Change in Working Capital Items Related to Operations

	<u>1999</u>	<u>1998</u>
(Decrease)/increase in accounts receivable	\$ (153,612)	\$ 198,233
(Decrease)/increase in inventory	(56,022)	1,354
(Decrease)/increase in prepaid expenses	(5,518)	4,732
Decrease/(increase) in accounts payable	88,050	(111,514)
Decrease/(increase) in unearned revenue	6,922	(13,518)
	<u>\$ (120,180)</u>	<u>\$ 79,287</u>

8. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are settled on normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

<u>Category</u>	<u>1999</u>	<u>1998</u>
Expenses	\$ 114,493	\$ 113,503
Accounts payable	15,302	11,715

Publications are sold and services are provided to related parties at amounts agreed to by the parties. These amounts are lower than those charged to other customers.

These transactions and amounts outstanding at year end are as follows:

<u>Category</u>	<u>1999</u>	<u>1998</u>
Revenue	\$ 343,401	\$ 437,444
Accounts receivable	69,788	151,982

In addition, the Revolving Fund pays Saskatchewan Education and Health Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and notes thereto.

In accordance with established government policy, the Revolving Fund has not been charged with certain occupancy, financing and administrative costs. These costs have been absorbed by the various departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

9. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

10. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable and accounts payable. Due to their immediate and short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1,

2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Revolving Fund's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Revolving Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

12. Amount Reported in the Public Accounts

The net (financing requirement)/recovery of the Revolving Fund reported in the Public Accounts is the net income of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund.

	<u>1999</u>	<u>1998</u>
Net (loss) income before subsidy	\$ (24,305)	\$ 30,986
Amortization expense	30,694	52,528
Decrease (increase) in inventory	56,022	(1,354)
Decrease (increase) in net capital assets	(8,427)	(36,488)
Timing differences in recording transactions	<u>(66,064)</u>	<u>43,059</u>
Net (financing requirement)/recovery, reported in the Public Accounts	<u>\$ (12,080)</u>	<u>\$ 88,731</u>

13. Comparative Information

Certain 1997-98 balances have been reclassified to conform with the current year's presentation.

AUDITOR'S REPORT

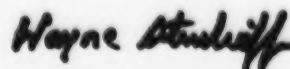
To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Resource Protection and Development Revolving Fund as at March 31, 1999 and the statements of operations and accumulated operating surplus/(deficit), and changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Regina, Saskatchewan
October 14, 1999



Wayne Strelloff, CA
Provincial Auditor

Statement 1

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
BALANCE SHEET
As at March 31

	<u>1999</u>	<u>1998</u>
ASSETS		
Current assets:		
Accounts receivable	\$ 64,943	\$ 51,172
Inventories	291,043	272,520
Prepaid expenses	<u>45,706</u>	<u>60,471</u>
	<u>401,692</u>	<u>384,163</u>
Capital assets (Note 5)	<u>2,199,671</u>	<u>2,230,299</u>
	<u>\$ 2,601,363</u>	<u>\$ 2,614,462</u>
LIABILITIES AND FUND EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	142,922	150,695
Unearned revenue	<u>—</u>	<u>64,836</u>
	<u>142,922</u>	<u>215,531</u>
Non-current liabilities:		
Accumulated net expenditure (Statement 3)	<u>2,163,134</u>	<u>2,507,549</u>
Fund equity:		
Accumulated operating surplus/(deficit) (Statement 2)	<u>295,307</u>	<u>(108,618)</u>
	<u>\$ 2,601,363</u>	<u>\$ 2,614,462</u>

(See accompanying notes to the financial statements)

Statement 2

**RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED
OPERATING SURPLUS/(DEFICIT)
For the Year Ended March 31**

	<u>Budget 1999</u>	<u>Actual 1999</u>	<u>Actual 1998</u>
Revenues:			
Spruce budworm program (Note 6)	\$ 1,700,000	\$ 2,289,836	\$ 1,375,164
Radio communications	1,187,000	1,864,198	1,233,352
Equipment rental and recoveries	206,921	241,734	213,794
Staff housing	117,912	116,527	98,491
Northern air operations	198,180	122,989	95,744
Other	—	16,687	640
Grants from Government of Canada	—	5,401	20,785
	<u>3,410,013</u>	<u>4,657,372</u>	<u>3,037,970</u>
Expenses:			
Contractual services	2,025,752	2,588,552	1,626,993
Salaries	858,204	993,493	890,981
Amortization	323,597	348,338	319,786
Materials & supplies	146,960	256,541	177,574
Travel & sustenance	55,500	66,373	81,784
Other	—	150	2,801
	<u>3,410,013</u>	<u>4,253,447</u>	<u>3,099,919</u>
Net income/(loss) (Note 7)	<u>\$ —</u>	403,925	(61,949)
Accumulated operating (deficit), beginning of year		<u>(108,618)</u>	<u>(46,669)</u>
Accumulated operating surplus/(deficit), end of year - to Statement 1		<u>\$ 295,307</u>	<u>\$ (108,618)</u>

(See accompanying notes to the financial statements)

Statement 3

**RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31**

	<u>1999</u>	<u>1998</u>
Financing (provided by) required for operating activities:		
Net income/loss	\$ (403,925)	\$ 61,949
Items not affecting working capital		
- amortization	(348,338)	(319,786)
- gain/loss on disposal of capital assets	9,571	(739)
Net increase (decrease) in working capital items related to operations (Note 8)	<u>90,138</u>	<u>15,164</u>
	<u>(652,554)</u>	<u>(243,412)</u>
Financing (provided by) required for investing activities:		
Purchase of capital assets	370,473	264,649
Proceeds from sale of capital assets	<u>(62,334)</u>	<u>(34,906)</u>
	<u>308,139</u>	<u>229,743</u>
Net decrease in financing requirements	<u>(344,415)</u>	<u>(13,669)</u>
Accumulated net expenditure, beginning of year	<u>2,507,549</u>	<u>2,521,218</u>
Accumulated net expenditure, end of year		
- Statement 1	<u>\$ 2,163,134</u>	<u>\$ 2,507,549</u>

(See accompanying notes to the financial statements)

RESOURCE PROTECTION AND DEVELOPMENT REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999

1. Authority and Definition of Reporting Entity

The Revolving Fund operates under the authority of Section 19 of *The Natural Resources Act*. The purpose of the Revolving Fund is to provide resource protection and development services.

2. Significant Accounting Policies

The financial statements are prepared using generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure and Note 8. The following accounting policies are considered significant:

a) Net Expenditure/(Recovery)

The net expenditure/(recovery) is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

b) Accumulated Net Expenditure

The accumulated net expenditure of the Revolving Fund includes the following:

- i) net expenditure/(recovery) for each fiscal year; and
- ii) the book value of assets acquired at no charge from another government agency.

c) Inventories

Inventories are valued at the lower of average cost and net realizable value.

d) Revenue recognition

Amounts received under contractual agreements are recognized as revenue in the year in which the related expenses are incurred. Amounts received before expenses are incurred are shown as unearned revenue.

e) Capital Assets

Amortization is calculated on the straight line basis. Annual rates are from 5% to 33% for equipment rental and 8% for radio communications.

3. Authorized Financing

Subsection 19(9) of *The Natural Resources Act* specifies that the maximum balance amount of accumulated net expenditure which may be outstanding at any time will be set by order of the Lieutenant Governor in Council. A maximum amount of \$5,500,000 was established by Order in Council 515/94.

4. Disposition of Accumulated Operating Surplus or Deficit

In accordance with Subsection 19(4) of *The Natural Resources Act*, the Minister shall pay to the General Revenue Fund all or any part of any surplus in the Revolving Fund that Treasury Board may direct. Treasury Board has specified that the maximum accumulated surplus/deficit for the Revolving Fund shall be \$200,000. Treasury Board has also specified that if at the end of a fiscal year, the accumulated surplus/deficit exceeds the maximum, then any surplus/deficit in excess of the maximum shall, as soon as possible after the close of the fiscal year be paid to/from the General Revenue Fund.

However, if any deficit is in fact a subsidy and not a deficit due to business fluctuations, it must be recovered from the General Revenue Fund (Department of Environment and Resource Management's appropriation) in the same year. The Department budgets for a subsidy to the Revolving Fund in the same year that the deficit is expected to occur.

5. Capital Assets

	1999		1998
	Cost	Accumulated Amortization	Net Book Value
Equipment rental	\$ 3,962,954	\$ 2,430,654	\$ 1,532,300
Radio communications	<u>2,935,196</u>	<u>2,267,825</u>	<u>667,371</u>
	<u>\$ 6,898,150</u>	<u>\$ 4,698,479</u>	<u>\$ 2,199,671</u>
			<u>\$ 2,230,299</u>

6. Spruce Budworm Control Program

The Department provides services to forestry companies under a 3-year agreement to control and monitor spruce budworms in designated areas. During the year, the Department received \$2,225,000 (1998-\$1,440,000) from forestry companies and spent \$2,289,836 (1998-\$1,375,164) on the program.

7. Segmented Information

	1999		1998
	Revenues	Expenses	Net Income
Spruce budworm program	\$ 2,289,836	\$ 2,289,836	\$ —
Radio communications	1,864,198	1,498,880	365,318
Equipment rentals	241,734	183,934	57,800
Staff housing	116,527	100,628	15,899
Northern air operations	122,989	158,081	(35,092)
Other	16,687	16,687	—
Government of Canada	<u>5,401</u>	<u>5,401</u>	<u>—</u>
	<u>\$ 4,657,372</u>	<u>\$ 4,253,447</u>	<u>\$ 403,925</u>
			<u>\$ (61,949)</u>

8. Net Change in Working Capital Items Related to Operations

	<u>1999</u>	<u>1998</u>
Increase (decrease) in accounts receivable	13,771	(36,519)
Increase in inventories	18,523	27,753
Decrease in prepaid expenses	(14,765)	(5,430)
Decrease in accounts payable and accrued liabilities	7,773	94,196
Decrease (increase) in unearned revenue	<u>64,836</u>	<u>(64,836)</u>
	<u>\$ 90,138</u>	<u>\$ 15,164</u>

9. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are settled on normal trade terms. Rates charged by the Revolving Fund for services are calculated to recover costs incurred. These transactions, and amounts outstanding at year end, are as follows:

<u>Category</u>	<u>1999</u>	<u>1998</u>
Revenue	\$ 2,135,503	\$ 1,454,152
Expenses	190,281	174,562
Accounts payable	12,076	11,124
Accounts receivable	39,989	50,829

In addition, the Revolving Fund pays Saskatchewan Education and Health tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements.

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by the various

departmental appropriations and therefore no provision for such costs is reflected in these financial statements.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable and accounts payable. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

12. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Fund's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

13. Amount Reported in Public Accounts

The net recovery of the Revolving Fund reported in Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund:

	<u>1999</u>	<u>1998</u>
Net income/(loss)	\$ 403,925	\$ (61,949)
(Increase) in inventory	(18,523)	(27,753)
Decrease in net capital assets	30,629	90,782
Amounts not included in Public Accounts due to timing	<u>(61,624)</u>	<u>58,850</u>
Net recovery reported in Public Accounts	<u>\$ 354,407</u>	<u>\$ 59,930</u>

14. Comparative Figures

Certain comparative figures have been reclassified to conform with the year's financial statement presentation.

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Saskatchewan Learning Resources Distribution Centre Revolving Fund as at March 31, 1999 and the statements of operations and accumulated operating surplus/deficit, and of changes in accumulated net expenditure for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Wayne Strelhoff

Regina, Saskatchewan
December 6, 1999

Wayne Strelhoff, CA
Provincial Auditor

Statement 1

**SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION
CENTRE REVOLVING FUND
BALANCE SHEET
As at March 31**

ASSETS

Current:	1999	1998
Petty Cash	\$ 2,100	\$ 2,100
Accounts receivable	298,292	277,396
Prepaid expenses	3,777	5,106
Inventories	2,433,912	2,667,123
	<u>2,738,081</u>	<u>2,951,725</u>
Capital Assets (Note 5)	<u>337,669</u>	<u>380,869</u>
	<u>\$ 3,075,750</u>	<u>\$ 3,332,594</u>

LIABILITIES AND EQUITY

Current Liabilities:		
Accounts Payable and accrued liabilities	\$ 77,950	\$ 155,231
Customers' deposits and credits	20,039	58,943
	<u>97,989</u>	<u>214,174</u>
Non-current liabilities:		
Accumulated net expenditures (Statement 3)	<u>3,049,039</u>	<u>3,019,671</u>
Fund Equity:		
Accumulated operating surplus/(deficit) (Statement 2)	<u>(71,278)</u>	<u>98,749</u>
	<u>\$ 3,075,750</u>	<u>\$ 3,332,594</u>

(See accompanying notes to the financial statements)

Statement 2
SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION
CENTRE REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS/DEFICIT
For the Year Ended March 31

	1999		1998
	Actual	Budget	Actual
	(Note 10)		
Revenue:			
Sales	\$3,629,693	\$ 4,500,000	\$ 4,542,140
Less: Cost of goods sold	3,116,782	4,005,000	3,965,587
Gross profit	512,911	495,000	576,553
Other Income	13	30	25
WCP Project revenue (Note 12)	248,750	65,000	121,533
	761,674	560,030	698,111
Operating expenses:			
Salaries	401,095	354,000	372,752
Amortization	101,899	78,000	18,369
Postage	49,233	36,000	44,396
Office and warehouse expense	45,960	44,000	44,620
Computer support and maintenance	102,920	60,000	26,188
Freight and express out	11,910	24,000	21,652
Other	11,676	13,500	17,326
WCP Project expense	207,008	65,000	121,533
	931,701	674,500	666,836
Net Income (loss) (Note 14)	(170,027)	(114,470)	31,275
Accumulated operating surplus, beginning of year	98,749	16,604	67,474
Accumulated operating surplus, paid to General Revenue Fund	0	0	0
Accumulated operating surplus/(deficit) end of year - to Statement 1	\$ (71,278)	\$ (97,866)	\$ 98,749

(See accompanying notes to the financial statements)

Statement 3

**SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION
CENTRE REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE
For the Year Ended March 31**

	1999	1998
Financing (provided by) required for operating activities:		
Net (income) loss	\$ 170,027	(31,275)
Items not affecting working capital		
amortization	(101,899)	(18,369)
gain (loss) on disposal of capital assets	(2)	(2,968)
Net increase (decrease) in working capital items related to operations (Note 7)	(98,713)	276,460
	(30,587)	223,848
Financing (provided by) required for investing activities:		
Purchase of capital assets	58,751	362,300
Proceeds from sale of capital assets	(47)	(8,353)
	58,704	353,947
Net increase in financing requirements	28,117	577,795
Assets transferred to Revolving fund at no cost during year (Note 9)	1,251	4,268
Accumulated net expenditure, beginning of year	3,019,671	2,437,608
Accumulated net expenditure, end of year - to Statement 1	3,049,039	3,019,671

(See accompanying notes to the financial statements)

**SASKATCHEWAN LEARNING RESOURCES DISTRIBUTION
CENTRE REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 1999**

1. Authority and Definition of Entity

The authority for this Revolving Fund is contained in section 10(4) of *The Education Act, 1995*. *The Education Act, 1995* was amended to change the name of the Saskatchewan Book Bureau Revolving Fund to the Saskatchewan Learning Resources Distribution Centre Revolving Fund. The purpose of the Saskatchewan Learning Resources Distribution Centre Revolving Fund is to finance and to provide a system of accounting for the purchase, sale and distribution of such school textbooks, workbooks, reference textbooks, related print and non-print materials as recommended by the Department of Education for use in Saskatchewan schools, and to serve as distributor and sales agent for publications and materials of the Department of Education.

2. Significant Accounting Policies

The financial statements are prepared using generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the statement of changes in Accumulated Net Expenditure and Note 7. The following accounting policies are considered significant:

a) Basis of Accounting

The accounts are maintained on an accrual basis of accounting.

b) Net Expenditure/(Recovery)

The net cash expenditure/(recovery) is the cash from /to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes and net cash flows from operations.

c) Accumulated Net Expenditure

The accumulated net expenditure of the Fund includes the following:

- i) Amounts due to the Minister of Finance as at March 31, 1982, and assumed by the Revolving Fund in respect of working capital advances.
- ii) Net cash expenditure/(recovery) for each fiscal year; and
- iii) The book value of assets acquired at no cost from another government agency.

d) Amortization

Amortization is provided on office and warehouse equipment on a straight-line basis at an annual rate of 10% of acquisition value. Computer software costs are amortized at an annual rate of 25% from the date the software becomes operational. Computer equipment is amortized on a straight-line basis at an annual rate of 25% of acquisition value.

e) Inventory Valuation

Inventory is valued at the lower of average cost and net realizable value.

f) Pricing Policy

The Revolving Fund's sales catalogue of books and educational materials and the retail list prices of the items therein are revised periodically by the management with a view to operating the Revolving Fund as close to the break even point as possible. For the 1997 to 1999 years, the retail list price of publications was based on invoice cost plus up to 16.5%.

3. Authorized Financing

Section 10(10) of *The Education Act, 1995* provides for a maximum amount of accumulated net expenditures which may at any time be outstanding to be set by order of the Lieutenant Governor in Council. By Order in Council 11/85, the maximum amount has been set at \$4,000,000.

4. Disposition of Accumulated Operating Surplus or Deficit

In accordance with section 10(6) of *The Education Act, 1995* the Minister shall pay to the General Revenue Fund all or any part of any surplus in the Revolving Fund that Treasury Board may direct. Treasury Board has specified that the maximum accumulated surplus (deficit) for the Learning Resources Distribution Centre Revolving Fund shall be \$150,000. Treasury Board has also specified that if at the end of the fiscal year the accumulated surplus (deficit) exceeds the maximum, then any surplus (deficit) in excess of the maximum shall, as soon as possible after the close of the fiscal year, be paid into (from) the General Revenue Fund.

5. Capital Assets

	1999		1998	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Office Equipment	\$ 4,553	\$ 4,342	\$ 211	\$ 403
Warehouse Equipment	65,797	44,985	20,812	23,442
Computer Software	267,217	261,988	5,229	7,371
Computer Equipment	413,034	101,617	311,417	349,653
	\$ 750,601	\$ 412,932	\$ 337,669	\$ 380,869

Amortization provided in the financial statements for the current year amounted to \$101,899 (1998 - \$18,369).

6. Costs Borne by Other Agencies

In accordance with established government policy, the Revolving Fund has not been charged with certain costs including occupancy, financing and certain administrative costs. These costs have been absorbed by various departmental appropriations and, therefore, no provision for such costs is reflected in these financial statements.

7. Net Change in Working Capital Items Related to Operations

	1999	1998
(Decrease)/increase in accounts receivable	\$ 20,896	\$ 125,374
(Decrease)/increase in prepaid expenses	(1,329)	4,209
(Decrease)/increase in inventories	(234,465)	300,449
Decrease/(increase) in accounts payable	116,185	(153,572)
	<u>\$ (98,713)</u>	<u>\$ 276,460</u>

8. Related Parties

These financial statements include transactions with related parties. The LRDC Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, boards, and commissions under the common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the rates charged by those organizations and are settled on normal trade terms.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

9. Transfer of Inventory

The Department of Education transferred inventory items valued at \$1251 (1998 - \$4268) to the Revolving Fund at no cost.

10. Budget

These amounts are included in the budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

11. Financial Instruments

The Revolving Fund's financial instruments include accounts receivable and accounts payable. Due to their immediate or short-term nature, the fair value of these instruments approximates the carrying value.

The fair value of the accumulated net expenditure has been omitted because it is not practicable to determine the fair value with sufficient reliability.

12. WCP Project

Western Canadian Protocol for Collaboration in Basic Education -- Manitoba Education and Training has contracted Saskatchewan Education to provide a staffed facility and related services for the evaluation of learning resources that support the curriculum framework developed by this collaboration.

13. Uncertainty due to the Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 date is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Fund's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

14. Amount Report in Public Accounts

The net recovery of the Revolving Fund reported in the Public Accounts is the net income/(loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving fund and the General Revenue Fund:

	1999	1998
Net income/(loss) from operations	\$ (170,027)	\$ 31,275
(Increase)/decrease in inventory balance	233,212	(304,718)
(Increase)/decrease in net capital assets	43,197	(332,610)
Prior year's income transferred to General Revenue Fund	0	0
Amounts not included in Public Accounts, due to timing	(36,049)	(11,961)
(Net financing requirement)/recovery, reported in the Public Accounts	<u>\$ 70,333</u>	<u>\$ (618,014)</u>